

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
AND IT'S SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)
For the period ended 30 September 2015
together with
Review Report



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

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

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

Scope of Review


We have reviewed the accompanying interim consolidated balance sheet of **Al Tayyar Travel Group Holding Company** and its subsidiaries ('the Group') as at 30 September 2015, the related interim consolidated statements of income for the three month and the nine month periods then ended, cash flows and changes in equity for the nine month period then ended and the attached condensed notes (1) to (16) 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 Hamad Al Fozan
License No: 348

Riyadh on 7 Muharram 1437H
Corresponding to: 20 October 2015

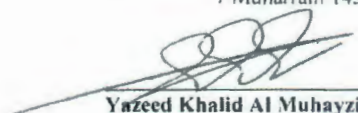


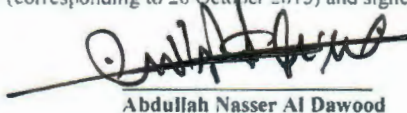
AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 September 2015
(Saudi Riyals)

	Notes	30 September 2015	31 December 2014 (Audited)	30 September 2014
ASSETS				
Current assets				
Cash and cash equivalents		1,947,965,082	1,958,637,662	908,095,202
Trade receivables, net		969,632,865	855,383,486	985,479,103
Due from related parties		35,428,857	23,518,456	18,892,478
Advances, prepayments and other receivables		609,150,523	609,031,424	462,216,017
Total current assets		3,562,177,327	3,446,571,028	2,374,682,800
Non current assets				
Investments in equity accounted investees	1	66,822,615	89,040,731	107,408,487
Investment properties		25,000,000	25,000,000	25,000,000
Available for sale investments		5,775,460	1,000,000	1,000,000
Intangible assets, net	4	313,249,476	300,200,837	290,618,423
Property and equipment, net	6	1,352,926,726	1,318,308,692	916,208,056
Capital work in progress for disposal	7b	359,747,097	359,747,097	359,747,097
Capital work in progress	7a	2,280,742,796	661,258,495	983,750,672
Total non current assets		4,404,264,170	2,754,555,852	2,683,732,735
Total assets		7,966,441,497	6,201,126,880	5,058,415,535
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdrafts	8	92,469,760	14,782,117	16,564,322
Short term debts	9	269,922,644	459,299,318	662,672,441
Current portion of long term loan	11	119,556,765	--	--
Current portion of finance lease obligation		4,483,850	--	--
Trade payables		877,416,821	1,040,946,343	708,992,139
Accrued expenses and other liabilities	10	1,468,323,839	1,604,312,434	844,435,984
Provisions		25,000,000	25,000,000	25,000,000
Due to related parties		96,209,200	91,155,236	72,991,402
Zakat and income tax provision		38,484,628	43,300,067	41,725,502
Total current liabilities		2,991,867,507	3,278,795,515	2,372,381,790
Non current liabilities				
Long term loan	11	1,111,183,235	--	--
Employees' end of service benefits		71,128,322	57,300,201	56,280,520
Total non current liabilities		1,182,311,557	57,300,201	56,280,520
Total liabilities		4,174,179,064	3,336,095,716	2,428,662,310
EQUITY				
Equity attributable to the Company's shareholders				
Share capital	1	2,000,000,000	1,500,000,000	1,500,000,000
Statutory reserve		419,705,333	419,705,333	304,384,486
Translation adjustments for foreign operations		(45,724,861)	(18,719,964)	(18,621,530)
Fair value reserve		882,210	--	--
Retained earnings		1,386,589,150	940,292,754	824,144,126
Total shareholders' equity		3,761,451,832	2,841,278,123	2,609,907,082
Non-controlling interest		30,810,601	23,753,041	19,846,143
Total equity		3,792,262,433	2,865,031,164	2,629,753,225
Total liabilities and equity		7,966,441,497	6,201,126,880	5,058,415,535

The accompanying notes (1) through (16) form an integral part of these interim condensed consolidated financial statements.

The financial statements on pages (1) to (13) were approved on behalf of the Shareholders by the Board of Directors on 7 Muharram 1437H (corresponding to 20 October 2015) and signed on behalf of the Board by:


Yazeed Khalid Al Muhayzie
Board Member


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 period ended 30 September 2015
(Saudi Riyals)

		3 Month		9 Month	
		30 September 2015	30 September 2014	30 September 2015	30 September 2014
	<i>Notes</i>				
Revenue	12	1,906,805,666	1,759,457,504	6,446,275,910	5,527,714,414
Cost of revenue		(1,507,589,793)	(1,383,840,101)	(5,051,208,821)	(4,312,642,413)
Gross profit	12	399,215,873	375,617,403	1,395,067,089	1,215,072,001
Selling and marketing expenses		(68,224,918)	(59,024,729)	(207,627,911)	(175,847,008)
General and administrative expenses		(107,709,569)	(81,696,151)	(296,229,046)	(216,642,246)
Share of (loss) / income from equity accounted investees		(1,069,820)	401,908	(4,968,116)	1,970,174
Impairment loss of equity accounted investees	1	(10,000,000)	--	(30,000,000)	--
Other operating income, net		58,225,561	21,854,538	119,220,691	73,503,305
Operating income		270,437,127	257,152,969	975,462,707	898,056,226
Gain on disposal of property and equipment		2,067,925	950,289	4,053,476	29,868,200
Finance income		5,550,518	1,040,093	9,993,580	9,424,906
Finance and bank charges		(4,950,082)	(3,486,568)	(11,058,645)	(9,938,699)
Other income / (expenses), net		2,668,361	(1,496,186)	2,988,411	29,354,407
Income before Zakat, income tax and non-controlling interest		273,105,488	255,656,783	978,451,118	927,410,633
Zakat and income tax		(3,916,409)	(10,285,585)	(25,124,007)	(30,263,827)
Net income before non-controlling interest		269,189,079	245,371,198	953,327,111	897,146,806
Non-controlling interest		(4,065,598)	(1,605,324)	(7,030,715)	(9,693,871)
Net income for the period		265,123,481	243,765,874	946,296,396	887,452,935
Earnings per share from operating income	13	1.35	1.29	4.88	4.49
Earnings / (loss) per share from other income / (expenses), net	13	0.01	(0.01)	0.01	0.15
Basic earnings per share	13	1.33	1.22	4.73	4.44

The accompanying notes (1) through (16) form an integral part of these interim condensed consolidated financial statements.

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AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 30 September 2015
(Saudi Riyals)

	30 September <u>2015</u>	30 September <u>2014</u>
Cash flows from operating activities		
Net income for the period	946,296,396	887,452,935
<i>Adjustments to reconcile net income to net cash from operating activities:</i>		
Depreciation and amortisation	62,962,505	37,534,775
Gain on disposal of property and equipment	(4,053,476)	(29,868,200)
(Gain) / loss on foreign currency translation	(17,132,234)	147,143
Share of loss / (income) of equity accounted investees	4,968,116	(1,970,174)
Impairment loss of equity accounted investees	30,000,000	--
Provision for trade receivables	5,000,000	15,237,506
Non-controlling interest	7,030,715	9,693,871
Finance and bank charges	11,058,645	9,938,699
Provision for employees' end of service benefits	19,319,436	11,749,344
Provision for Zakat and income tax	25,124,007	30,263,827
	<u>1,090,574,110</u>	<u>970,179,726</u>
Changes in operating assets and liabilities		
Trade receivables	(116,813,337)	(259,745,214)
Due from related parties	(11,910,401)	11,355,057
Advances, prepayments and other receivables	4,467,721	30,314,920
Trade payables	(164,116,637)	(140,921,892)
Due to related parties	5,053,964	(53,496,312)
Accrued expenses and other liabilities	(138,755,016)	(732,350,153)
Employees' end of service benefits paid	(6,299,372)	(2,647,937)
Finance and bank charges paid	(10,556,080)	(9,567,148)
Zakat and income tax paid	(29,939,446)	(33,169,502)
Net cash from / (used in) operating activities	<u>621,705,506</u>	<u>(220,048,455)</u>
Cash flows from investing activities		
Payments for investments in equity accounted investees	(12,750,000)	(3,670,772)
Purchase of property and equipment	(90,172,007)	(287,988,086)
Purchase of available for sale investment	(3,893,250)	--
Dividends received from equity accounted investees	--	28,095
Purchase of intangible assets	(7,756,853)	--
Proceeds from disposal of property and equipment	20,087,122	125,432,447
Acquisition of subsidiaries, net of cash acquired	(22,532,433)	(129,507,925)
Acquisition of interest in subsidiary	2,892,000	--
Additional investment in subsidiary	--	(208,325,000)
Net movement in capital work in progress	(1,628,824,872)	(104,083,427)
Net cash used in investing activities	<u>(1,742,950,293)</u>	<u>(608,114,668)</u>
Cash flows from financing activities		
Net movement in short term debts	(189,376,674)	166,705,412
Net movement in bank overdrafts	77,687,643	(2,596,758)
Net movement in long term loan	1,230,000,000	--
Net movement in finance lease obligation	(2,307,459)	--
Dividends paid to shareholders	--	(540,000,000)
Dividends paid to non-controlling interest of subsidiary	(5,431,303)	(4,944,923)
Net cash from / (used in) financing activities	<u>1,110,572,207</u>	<u>(380,836,269)</u>
Net change in cash and cash equivalents	(10,672,580)	(1,208,999,392)
Cash and cash equivalents at the beginning of the period	<u>1,958,637,662</u>	<u>2,117,094,594</u>
Cash and cash equivalents at the end of the period	<u>1,947,965,082</u>	<u>908,095,202</u>

The accompanying notes (1) through (16) form an integral part of these interim condensed consolidated financial statements.

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AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2015
(Saudi Riyals)

	<u>Notes</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Translation adjustment for foreign operations</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total shareholders' equity</u>	<u>Non-controlling interest</u>	<u>Total</u>
30 September 2014									
At the beginning of the period		1,200,000,000	304,384,486	(15,502,255)	--	726,228,226	2,215,110,457	226,395,902	2,441,506,359
Adjustment		--	--	--	--	34,286,062	34,286,062	11,428,688	45,714,750
At the beginning of the period - restated		1,200,000,000	304,384,486	(15,502,255)	--	760,514,288	2,249,396,519	237,824,590	2,487,221,109
Net income for the period		--	--	--	--	887,452,935	887,452,935	9,693,871	897,146,806
Bonus shares		300,000,000	--	--	--	(300,000,000)	--	--	--
Acquisition of interest in subsidiary		--	--	--	--	--	--	1,774,508	1,774,508
Gain on equity transaction		--	--	--	--	16,176,903	16,176,903	(224,501,903)	(208,325,000)
Translation adjustment for foreign operations		--	--	(3,119,275)	--	--	(3,119,275)	--	(3,119,275)
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 the end of the period		<u>1,500,000,000</u>	<u>304,384,486</u>	<u>(18,621,530)</u>	<u>--</u>	<u>824,144,126</u>	<u>2,609,907,082</u>	<u>19,846,143</u>	<u>2,629,753,225</u>
30 September 2015									
At the beginning of the period		1,500,000,000	419,705,333	(18,719,964)	--	940,292,754	2,841,278,123	23,753,041	2,865,031,164
Net income for the period		--	--	--	--	946,296,396	946,296,396	7,030,715	953,327,111
Bonus shares	(1)	500,000,000	--	--	--	(500,000,000)	--	--	--
Dividends paid non-controlling interest		--	--	--	--	--	--	(5,431,303)	(5,431,303)
Acquisition of interest in subsidiary	(1)	--	--	--	--	--	--	5,458,148	5,458,148
Change in fair value of available for sale investment		--	--	--	882,210	--	882,210	--	882,210
Translation adjustment for foreign operations		--	--	(27,004,897)	--	--	(27,004,897)	--	(27,004,897)
At the end of the period		<u>2,000,000,000</u>	<u>419,705,333</u>	<u>(45,724,861)</u>	<u>882,210</u>	<u>1,386,589,150</u>	<u>3,761,451,832</u>	<u>30,810,601</u>	<u>3,792,262,433</u>

The accompanying notes (1) through (16) form an integral part of these interim condensed consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the period ended 30 September 2015

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').

On 4 March 2015, the general assembly meeting of Shareholders approved to issue one ordinary bonus share for every three ordinary shares held. The bonus shares have been approved to be issued from the retained earnings of the Company. Following the bonus shares issue, the capital of the Parent is SAR 2 billion and consists of 200,000,000 ordinary shares of SAR 10 each.

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

The Company's registered address is:

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

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

<u>Consolidated subsidiaries</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>September 2015</u>	<u>2014</u>	
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
Jawlah Tours Establishment for Tourism (JTET)	KSA	51%	51%	31 December

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(UNAUDITED)****For the period ended 30 September 2015****1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)**

<u>Consolidated subsidiaries (continued)</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>September</u>		
		<u>2015</u>	<u>2014</u>	
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%	100%	31 December
Saudi World Travel and Tourism Company Limited (SWTT)	KSA	100%	100%	31 December
Mawasem Travel and Tourism Limited (MTT)	UK	100%	100%	31 December
Elegant Resorts Limited and subsidiaries (ERL)	UK	100%	100%	31 December
Elite Private Jet Services Company (ANPJ)	KSA	100%	100%	31 December
Al Hanove Tourism and Services Company (AHTS)	Egypt	70%	70%	31 December
Mawasem Limited (formerly Co-op Group Travel 1 Limited (CTM))	UK	100%	100%	31 December
Connecting Trade & Services (CTS)	Lebanon	51%	51%	31 December
Fayfa Travel & Tourism Agency Company (FTT)	KSA	100%	--	31 December
Saudi Conference & Incentive Tours Company (SCI)	KSA	100%	--	31 December
Calculus Technologies LLC (CTL)	Oman	100%	--	31 December
B2B Travel Group S.L. (B2B)	Spain	80%	--	31 December
Hanay Trading Company Limited (HTCL) *	KSA	80%	--	31 December

* HTCL – is a limited liability company registered in Saudi Arabia under Registration No. 1010166471. HTCL is engaged in rent a car business.

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

<u>Investment in equity accounted investees</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>September</u>		
		<u>2015</u>	<u>2014</u>	
Felix Airways Limited (FAL)	Yemen	30%	30%	31 December
Al-Shamel Int'l. Holding Company K.S.C (ASI) (a)	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) (b)	KSA	70%	70%	31 December
2share Emerging Technology (TSET)	KSA	35%	35%	31 December
Net Tours (NT)	UAE	44.3%	44.3%	31 December
Careem INC. (CIL)	BVI	18%	--	31 December
Saudi Heritage Hospitality Company (SHHC)	KSA	20%	--	31 December

- a) During the period, management have reviewed the carrying value of ASI in light of current and expected trading levels. As a result, a further impairment charge of SAR 10 million (Q2 2015: SAR 20 million) has been recognized.
- b) There is a significant influence but no control over the joint venture financial and operating policies.

Thakher Investment and Real Estate Company (TIREC)

On 15 August 2015, the Group signed a conditional purchase agreement to acquire 25% of the share capital of Thakher Investment and Real Estate Company (TIREC) for a consideration of SAR 670 million. The consideration will be paid through issuance of new shares in the Company. The relevant legal acquisition procedures are not yet completed as of the date of the financial statements, hence the financial impact is not incorporated in these financial statements. TIREC is engaged in the business of development and operation of residential and commercial buildings in Makkah area.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(UNAUDITED)****For the period ended 30 September 2015****1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)**

<u>Available for sale investments</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>September</u>		
		<u>2015</u>	<u>2014</u>	
Al Wafeer Air (AWA)	KSA	12.75%	12.75%	31 December
Taif Investments and Tourism Company (TITC)	KSA	0.09%	0.09%	31 December
Saudi Ground Services Company (SGS)	KSA	0.04%	--	31 December

2. BASIS OF PREPARATION**(a) *Statement of compliance***

The accompanying interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) applicable for interim financial reporting. Certain prior period comparative amounts have been reclassified to be consistent with the current period presentation. The balance sheet comparative for December 2014 has been presented for illustrative purpose only.

These interim condensed consolidated financial statements were authorized for issue by the board of directors of the Parent Company on 7 Muharram 1437H (corresponding to 20 October 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.

(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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(UNAUDITED)****For the period ended 30 September 2015***(Saudi Riyals)***3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2014.

The interim condensed consolidated financial statements should be read together with the consolidated financial statements of the Group for the year ended 31 December 2014, where all the significant accounting policies are shown in detail.

4. INTANGIBLE ASSETS, NET

	30 September 2015	31 December 2014 <i>(Audited)</i>	30 September 2014
Goodwill	(a) 252,655,487	246,168,241	231,332,399
Brand name	21,925,775	24,081,992	25,747,845
Customer list	19,584,579	21,285,358	25,257,634
Software	19,083,635	8,665,246	8,280,545
	<u>313,249,476</u>	<u>300,200,837</u>	<u>290,618,423</u>

(a) *Goodwill:*

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

	30 September 2015	31 December 2014 <i>(Audited)</i>	30 September 2014
National Travel and Tourism Bureau Limited	6,212,311	6,212,311	6,212,311
Al Sarh Travel and Tourism Limited	11,600,000	11,600,000	11,600,000
E Al Tayyar Tours Company *	26,297,274	26,297,274	26,297,274
Al Tayyar Rent a Car Company *	13,390,372	13,390,372	13,390,372
E Al Tayyar Tourism Company *	13,805,118	13,805,118	13,805,118
Nile Holidays Tourism Company *	13,603,448	13,603,448	13,603,448
Lena Tours and Travel *	2,718,479	2,718,479	2,718,479
Al Tayyar Rent A Car	44,500,000	44,500,000	44,500,000
Al Musaffir Magazine	1,426,644	1,426,644	1,426,644
Al Mousim Travel and Tours	13,750,000	13,750,000	13,750,000
Jawlah Tours Establishment for Tourism	1,578,247	1,578,247	1,578,247
Al Mawasim Tourism and Umrah Services	21,235,000	21,235,000	21,235,000
Al Jazirah Travel	2,014,001	2,014,001	2,014,001
Elegant Resorts Limited	37,517,662	37,517,662	37,517,662
Al Hanove Tourism and Services Company	36,156,624	36,156,624	36,829,020
Co-op Group Travel 1 Limited	11,652,929	11,652,929	11,652,929
Connecting Trade & Services	7,569,646	7,569,646	7,834,587
Fayfa Travel & Toursim Agency Company	16,846,286	16,846,286	--
Hanay Trading Company Limited (see note 5a)	7,735,409	--	--
	<u>289,609,450</u>	<u>281,874,041</u>	<u>265,965,092</u>
Foreign currency translation	(4,235,484)	(2,987,321)	(1,914,214)
Total	<u>285,373,966</u>	<u>278,886,720</u>	<u>264,050,878</u>
Impairment losses *	(32,718,479)	(32,718,479)	(32,718,479)
Net	<u>252,655,487</u>	<u>246,168,241</u>	<u>231,332,399</u>

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4. INTANGIBLE ASSETS, NET (Continued)

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

5. BUSINESS COMBINATION

a. **Current period acquisition:**

Hanay Trading Company Limited (HTCL)

On 1st July 2015, the Company acquired a 80% shareholding of HTCL for a consideration of SAR 18 million.

Country of incorporation	<u>KSA</u>
Acquisition date	1 st July 2015
Consideration paid	18,000,000
Initial fair value of net identifiable assets on acquisition	<u>(10,264,591)</u>
Goodwill	<u>7,735,409</u>

b. **Recording of fair value changes**

The Company is currently in the process of allocating the purchase consideration to the identifiable assets and liabilities acquired. This exercise is expected to be completed within one year from the acquisition date as required by generally accepted accounting standards in the Kingdom of Saudi Arabia. The Company has initially recorded the book value as approximating to the fair value of the assets and liabilities acquired.

Any difference between the consideration paid and the fair value of the net assets acquired for the above transactions will be recognised as goodwill or negative goodwill as appropriate. To date, the Company has accounted for the fair value of transaction based on the initial carrying values of the assets and liabilities as of the acquisition date.

6. PROPERTY AND EQUIPMENT, NET

Movement in property and equipment since 30 September 2014 includes SAR 351 million in relation to MREIC properties transferred from capital work in progress to property and equipment, and SAR 190 million in respect of addition of new lands by the Group.

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During February 2015, the Company has bought a hotel in Makkah amounting to SAR 1.5 billion. This has been financed through obtaining a long term loan. During 2015, facility arrangement and finance costs of SAR 40.8 million is capitalised to capital work in progress. Currently, the hotel is under completion phase, therefore has been recorded in capital work in progress.

b) Capital work in progress for disposal

Capital work in progress for disposal represents certain land parcels and hotel, which were under construction. During 2013, these assets have been included in the Haram Expansion Project and other projects in Makkah and as a result, are 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 the disposal of these projects.

8. BANK OVERDRAFTS

	30 September <u>2015</u>	31 December <u>2014</u> (Audited)	30 September <u>2014</u>
Tawarruq	989,773	9,846,757	10,767,065
Murabaha	88,481,362	40,948	935,340
Other overdrafts *	2,998,625	4,894,412	4,861,917
	<u>92,469,760</u>	<u>14,782,117</u>	<u>16,564,322</u>

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

9. SHORT TERM DEBTS

	30 September <u>2015</u>	31 December <u>2014</u> (Audited)	30 September <u>2014</u>
Short term bank debts (Murabaha) – MREIC (a)	--	452,014,157	451,978,520
Short term bank debts (Murabaha) – others (b)	259,722,483	1,000,000	200,000,000
Short term bank debts (Tawarruq)	10,000,000	5,000,000	5,000,000
Short term bank debts – others	200,161	1,285,161	5,693,921
	<u>269,922,644</u>	<u>459,299,318</u>	<u>662,672,441</u>

a) The short term MREIC bank debts were repaid during Q1 2015.

b) These are short term loan facilities obtained from local banks under normal commercial terms.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities include advances from certain governmental customers. The balance of these advances as at 30 September 2015 totalled SAR 1.22 billion (31 December 2014: SAR 1.33 billion; 30 September 2014: SAR 604 million).

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During February 2015, the Group obtained a long term loan (Tawarruq) from a local commercial bank totalling SAR 1.23 billion for financing the acquisition of hotel in Makkah (see note 7a). The facilities bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements. The loan is repayable in equal instalments over the period of 10 years and is secured against the hotel in Makkah. During 2015, facility arrangement and finance costs of SAR 40.8 million is capitalised to capital work in progress.

12. SEGMENT REPORTING

The Group comprises the following main business segments:

- Air Ticketing, Travel & Tours
- Cargo
- Transportation and other ('Others')

The revenue and gross profit by segment is shown below:

	30 September <u>2015</u>	30 September <u>2014</u>
<u>Revenue</u>		
Air Ticketing, Travel and Tours	6,090,811,720	5,359,039,777
Cargo	123,160,732	122,351,274
Transportation and other ('Others')	232,303,458	46,323,363
	<u>6,446,275,910</u>	<u>5,527,714,414</u>
	30 September <u>2015</u>	30 September <u>2014</u>
<u>Gross profit</u>		
Air Ticketing, Travel and Tours	1,316,807,791	1,188,396,901
Cargo	11,662,374	10,871,324
Transportation and other ('Others')	66,596,924	15,803,776
	<u>1,395,067,089</u>	<u>1,215,072,001</u>

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

None of the above segments comprises 10% or more of the total consolidated revenue except for Air Ticketing, Travel and Tours. Further 23% of the gross revenue for the period is generated from one governmental entity (30 September 2014: 29%). The contract with this governmental entity has been extended until Jumada II 1438H (corresponding to February 2017) with same terms and conditions.

A segment for Hotels is currently under formation following the acquisition of MREIC in 2013 and a new hotel in February 2015. As at 30 September 2015, 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. Other entities caption below includes the assets and liabilities for the hotel property and related loans acquired by the Company in Q1 2015 (see notes 7 and 11).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(UNAUDITED)****For the period ended 30 September 2015***(Saudi Riyals)***12. SEGMENT REPORTING (Continued)**

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

	As at and for the period ended 30 September 2015				
	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	<u>Other entities/ consolidation adjustments</u>	<u>Total</u>
Revenue	2,779,005,758	1,502,482,674	24,682,366	2,140,105,112	6,446,275,910
Gross profit	826,824,184	312,069,953	24,460,816	231,712,136	1,395,067,089
Depreciation	6,125,934	3,508,899	9,703,510	38,805,980	58,144,323
Total assets	3,726,505,133	2,191,364,677	1,331,583,837	716,987,850	7,966,441,497
Total liabilities	1,332,254,271	973,100,017	473,597,978	1,395,226,798	4,174,179,064

	As at and for the period ended 30 September 2014				
	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	<u>Other entities/ consolidation adjustments</u>	<u>Total</u>
Revenue	2,250,362,920	1,824,583,910	560,006	1,452,207,578	5,527,714,414
Gross profit	760,756,031	278,765,319	489,064	175,061,587	1,215,072,001
Depreciation	5,992,704	3,026,765	598,337	27,916,969	37,534,775
Total assets	2,860,086,221	1,711,777,669	1,326,698,735	(840,147,090)	5,058,415,535
Total liabilities	715,675,015	849,812,652	474,947,167	388,227,476	2,428,662,310

Air ticketing, travel and tours

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

	30 September 2015	30 September 2014
Net commission earned on sale of airline tickets, travel and tours	<u>1,316,807,791</u>	<u>1,188,396,901</u>

Geographical Segments

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

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

	As at and for the period ended	
	30 September 2015	30 September 2014
Revenue	5,474,038,808	5,073,787,700
Gross profit	1,299,771,324	1,157,856,560
Depreciation	52,390,277	33,534,366
Total Assets	7,346,515,531	4,459,317,027
Total Liabilities	3,597,264,882	1,870,266,130

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13. EARNINGS PER SHARE

Earnings / (loss) per share from operating income, other income / (expense) and net income for the current and comparative period has been calculated by using the number of ordinary shares outstanding as at 30 September 2015 of 200 million shares (30 September 2014: 200 million shares) after adjustment for bonus shares issued on 4 March 2015.

14. COMMITMENTS

The Group has capital commitments as at 30 September 2015 of SAR 341 million (31 December 2014: SAR 180 million; 30 September 2014: SAR 195 million) principally in respect of MREIC / other hotel developments and construction of new office premises.

15. CONTINGENT LIABILITIES

At 30 September 2015, the Group has letter of guarantees totaling SAR 275 million (31 December 2014: SAR 223 million; 30 September 2014: SAR 166 million) issued by the Company's banks in favor of certain suppliers.

16. CURRENT PERIOD RESULTS

Due to seasonality and other factors, the interim consolidated results for the period ended 30 September 2015 may not be an accurate indicator for the actual operating results for the whole year.