

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**AND IT'S SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**For the period ended 31 March 2013**  
together with  
**Review Report**



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## REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To: **The Shareholders**  
**Al Tayyar Travel Group**  
**(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** and its subsidiaries ('the Group') as at 31 March 2013, the related interim consolidated statements of income and cash flows for the three month period then ended and the attached condensed notes (1) to (11) 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 financial statements based on our review.

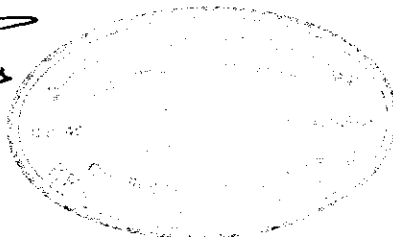
We conducted our review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of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



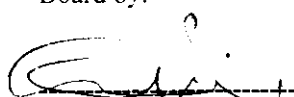
Date: 6 Jumada II 1434H  
Corresponding to: 16 April 2013

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
As at 31 March 2013  
(Saudi Riyals)

	<u>Notes</u>	31 March 2013	31 March 2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		706,848,316	282,288,858
Trade receivables, net		688,912,787	1,185,492,292
Due from related parties		47,115,066	39,168,100
Prepayments and other receivables		369,044,028	284,260,001
<b>Total current assets</b>		<u>1,811,920,197</u>	<u>1,791,209,251</u>
<b>Non current assets</b>			
Investments in equity accounted investees	10	409,057,075	158,437,620
Investment properties		25,000,000	25,000,000
Available for sale investments		1,000,000	1,000,000
Intangible assets, net	4	142,130,894	143,451,766
Property and equipment, net		586,315,217	473,287,144
Capital work in progress		43,119,400	20,318,010
<b>Total non current assets</b>		<u>1,206,622,586</u>	<u>821,494,540</u>
<b>Total assets</b>		<u>3,018,542,783</u>	<u>2,612,703,791</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank overdrafts		16,484,279	56,505,375
Short term bank debts	5	25,037,403	402,167,160
Accrued expenses and other liabilities		523,859,309	228,914,958
Zakat and income tax		41,368,846	35,101,048
Trade payables		321,207,858	269,659,310
Due to related parties		302,062,029	255,015,247
<b>Total current liabilities</b>		<u>1,230,019,724</u>	<u>1,247,363,098</u>
<b>Non current liabilities</b>			
Employees' end of service benefits		40,200,980	31,817,364
<b>Total non current liabilities</b>		<u>40,200,980</u>	<u>31,817,364</u>
<b>Total liabilities</b>		<u>1,270,220,704</u>	<u>1,279,180,462</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's shareholders</b>			
Share capital		800,000,000	800,000,000
Statutory reserve		210,091,652	134,554,611
Foreign currency translation adjustments		(14,094,771)	(1,859,668)
Retained earnings		735,490,869	390,627,515
<b>Total shareholders' equity</b>		<u>1,731,487,750</u>	<u>1,323,322,458</u>
Minority interests		16,834,329	10,200,871
<b>Total equity</b>		<u>1,748,322,079</u>	<u>1,333,523,329</u>
<b>Total liabilities and equity</b>		<u>3,018,542,783</u>	<u>2,612,703,791</u>

The accompanying notes (1) through (11) form an integral part of these interim condensed consolidated financial statements.

The financial statements on pages (1) to (14) were approved on behalf of the Shareholders by the Board of Directors on 6 Jumada II 1434H, corresponding to 16 April 2013 and signed on behalf of the Board by:



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




**Yousif Mousa Yousif**  
Group Chief Financial Officer

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**  
For the period ended 31 March 2013  
(Saudi Riyals)

	<u>31 March 2013</u>	<u>31 March 2012</u>
	<i>Note</i>	
Revenue	1,554,956,870	1,352,818,357
Cost of revenue	(1,253,404,463)	(1,111,063,298)
<b>Gross profit</b>	<b>301,552,407</b>	<b>241,755,059</b>
Selling and marketing expenses	(46,532,574)	(47,064,772)
General and administrative expenses	(50,360,824)	(42,173,808)
Share of income / (loss) of equity accounted investees	2,834,549	(2,554,560)
Other operating income	21,111,437	20,792,662
<b>Operating income</b>	<b>228,604,995</b>	<b>170,754,581</b>
Gain on disposal of property and equipment	2,168,571	448,118
Finance income	302,099	258,541
Finance and bank charges	(3,485,727)	(7,068,412)
<b>Other income / (expenses), net</b>	<b>(1,015,057)</b>	<b>(6,361,753)</b>
<b>Income before Zakat, income tax and minority interest</b>	<b>227,589,938</b>	<b>164,392,828</b>
Provision for Zakat and income tax	(7,311,943)	(8,743,213)
<b>Net income before minority interest</b>	<b>220,277,995</b>	<b>155,649,615</b>
Minority interest	(2,379,848)	(2,781,451)
<b>Net income for the period</b>	<b>217,898,147</b>	<b>152,868,164</b>
Earnings per share from operating income	7 <b>2.86</b>	2.13
Loss per share from other expenses, net	7 <b>(0.01)</b>	(0.08)
Basic earnings per share	7 <b>2.72</b>	1.91

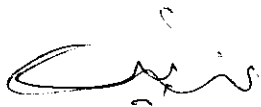

The accompanying notes (1) through (11) form an integral part of these interim condensed consolidated financial statements.


**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**For the period ended 31 March 2013**  
*(Saudi Riyals)*

	<u>31 March</u> <u>2013</u>	<u>31 March</u> <u>2012</u>
<b><i>Cash flows from operating activities</i></b>		
Net income for the period	217,898,147	152,868,164
<i>Adjustments to reconcile net income to net cash from operating activities:</i>		
Depreciation	10,330,951	9,473,129
Gain on disposal of property and equipment	(2,168,571)	(448,118)
(Gain) / loss on foreign currency translation	(2,140,428)	247,521
Share of (profit) / loss of equity accounted investees	(2,834,549)	2,554,560
Provision for trade receivables	5,000,000	5,000,000
Minority interest	2,379,848	2,781,451
Finance and bank charges	3,485,727	7,068,412
Provision for employees' end of service benefits	5,285,869	2,117,397
Provision for Zakat and income tax	7,311,943	8,743,213
	<u>244,548,937</u>	<u>190,405,729</u>
<b><i>Changes in operating assets and liabilities</i></b>		
Trade receivables	280,222,039	(482,561,071)
Due from related parties	(10,024,434)	(14,570,273)
Prepayments and other receivables	(93,209,095)	(11,818,553)
Trade payables	97,769,969	84,209,046
Due to related parties	80,940,615	221,927,408
Accrued expenses and other liabilities	(467,827,767)	(349,562,086)
Employees' end of service benefits paid	(427,179)	(938,854)
Finance and bank charges paid	(3,455,833)	(6,021,295)
Zakat and income tax paid	(356,783)	(1,359,196)
<b>Net cash from / (used in) operating activities</b>	<u>128,180,469</u>	<u>(370,289,145)</u>
<b><i>Cash flows from investing activities</i></b>		
Purchase of property and equipment	(7,888,634)	(7,800,681)
Dividend received from equity accounted investees	6,932,032	2,575,427
Proceeds from disposal of property and equipment	4,825,640	976,035
Net movement in capital work in progress	(7,361,156)	(1,444,962)
<b>Net cash used in investing activities</b>	<u>(3,492,118)</u>	<u>(5,694,181)</u>
<b><i>Cash flows from financing activities</i></b>		
Net movement in short term bank debts	23,652,243	308,964,968
Net movement in bank overdrafts	11,670,145	48,792,268
Dividends paid to shareholders	(200,000,000)	(106,921,210)
<b>Net cash (used in) / from financing activities</b>	<u>(164,677,612)</u>	<u>250,836,026</u>
Net change in cash and cash equivalents	(39,989,261)	(125,147,300)
Cash and cash equivalents at the beginning of the period	746,837,577	407,436,158
<b>Cash and cash equivalents at the end of the period</b>	<u>706,848,316</u>	<u>282,288,858</u>

The accompanying notes (1) through (11) form an integral part of these interim condensed consolidated financial statements.


**AL TAYYAR TRAVEL GROUP**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****31 March 2013****1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES**

Al Tayyar Travel Group (ATG) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010148039 dated 24/07/1418H corresponding to 24/11/1997 (hereinafter referred to as 'the Company' or 'the Parent').

The authorised, issued and fully paid up capital of the Parent is SAR 800 million consists of 80,000,000 common shares of SAR 10 each (also see note 10). From 4 June 2012, the shares of the Company have been listed on the Saudi Stock Exchange.

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

The Company's registered address is:

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

These 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>March 2013</u>	<u>March 2012</u>	
National Travel and Tourism Bureau Ltd. (NTTB)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Sarh Travel and Tourism Ltd. (ASTT)	Kingdom of Saudi Arabia	80%	80%	31 December
Al-Tayyar International Air Transportation Agency Co. Ltd (ATI)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar Holiday for Travel and Tourism Co. Ltd. (ATH)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar Travel, Tourism and Cargo Co. Ltd. (ATC)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar Tourism and Travel Group – Egypt (ATE)	Egypt	100%	100%	31 December
E Al-Tayyar For Tourist Transportation Company (ATT)	Egypt	100%	100%	31 December
E Al-Tayyar Limousine Company (ALC)	Egypt	100%	100%	31 December
New Al-Tayyar Limousine Company (NALC)	Egypt	100%	100%	31 December
Al Tayyar Rent A Car Company (ARC)	Egypt	100%	100%	31 December
Lena Tours & Travel (LTT)	Lebanon	75%	75%	31 December
Belantara Holidays SDN. BHD (BHSB)	Malaysia	100%	100%	31 December
Al-Tayyar International Company Ltd. – Sudan (ATS)	Sudan	75%	75%	31 December
Al-Tayyar – Dubai, UAE (ATD)	United Arab Emirates	100%	100%	31 December

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**31 March 2013**

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

<u>Consolidated subsidiaries (continued)</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>March 2013</u>	<u>March 2012</u>	
Taqniatech Company for Communication Technology Ltd. (TAQ)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Tayyar Real Estate, Tourism Development and Investment Co. (Hotels)- (ARE)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Tayyar Insurance Broker Company Ltd.(INS)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Tayyar Rent A Car (ARAC)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Musaffir Magazine (AMM)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Mousim Travel & Tours (AMTT)	Kingdom of Saudi Arabia	100%	100%	31 December
Jawlah Tours Establishment for Tourism (JTET)	Kingdom of Saudi Arabia	51%	51%	31 December
Al Mawasim Tourism and Umrah Services (MWT)	Kingdom of Saudi Arabia	51%	51%	31 December
Al Jazirah Travel	Kingdom of Saudi Arabia	70%	--	31 December
Fly IT	Kingdom of Saudi Arabia	60%	--	31 December

The interim condensed consolidated financial statements include the following investments:

<u>Investment in equity accounted investees</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>March 2013</u>	<u>March 2012</u>	
Felix Airways Limited (FAL)	Yemen	30%	30%	31 December
Al-Shamel Int'l. Holding Co. K.S.C. (Closed) (ASI)	Kuwait	30%	30%	31 December
Grand Travel & Tours, LLC. (GIT)	USA	40%	40%	31 December
Voyage Amro Travel (VAT)	Canada	49%	49%	31 December
Al Tayyar Travel & Tourism Abu Dhabi	United Arab Emirates	49%	49%	31 December
Taqniatech Company for Communication Technology Ltd. (TAQ)*	Kingdom of Saudi Arabia	70%	70%	31 December
Muthmira Real Estate Investment Company (MREIC) – (see note 10)	Kingdom of Saudi Arabia	36%	--	31 December

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

<u>Available for sale investment</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>March 2013</u>	<u>March 2012</u>	
Al Wafeer Air (AWA)	Kingdom of Saudi Arabia	12.75%	12.75%	31 December
Taif Investments and Tourism Company (TITC)	Kingdom of Saudi Arabia	0.5%	0.5%	31 December

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(UNAUDITED)  
**31 March 2013**

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**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).

These interim condensed consolidated financial statements were authorized for issue on behalf of the shareholders by the board of directors of the Parent Company on 6 Jumada II 1434 H (corresponding to 16 April 2013).

**(b) *Basis of measurement***

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

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

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

**(d) *Use of estimates and judgments***

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, plant 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 receivables
- Impairment of intangible assets



**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**31 March 2013**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the interim condensed consolidated financial statements and are also consistent with the accounting policies in the consolidated financial statements for the year ended 31 December 2012.

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

**(a) *Basis of consolidation***

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

**Subsidiaries**

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

**Transactions eliminated on consolidation**

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

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

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

**(c) *Trade receivables***

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

**AL TAYYAR TRAVEL GROUP**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**31 March 2013**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) *Investments***

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

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

*Available for sale investments*

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

**(e) *Property and equipment***

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

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

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

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

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

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**31 March 2013**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) *Intangible Assets***

*Goodwill*

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

**(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 statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

**(j) *Revenue recognition***

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

**(k) *Operating leases***

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

**(l) *Expenses***

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

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**31 March 2013**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

**(o) *Segment reporting***

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

**(p) *Dividends***

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

**(q) *Financial instruments***

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

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**31 March 2013**  
*(Saudi Riyals)*

**4 INTANGIBLE ASSETS, NET**

**Goodwill**

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

	<b>31 March 2013</b>	31 March 2012
National Travel and Tourism Bureau (NTTB)	<b>6,212,311</b>	6,212,311
Al Sarh Travel Agency (ASTA)	<b>11,600,000</b>	11,600,000
Al Tayyar Limousine Company (ALC) (a)	<b>26,297,274</b>	26,297,274
Al Tayyar Rent a Car Company (ARC) (a)	<b>13,390,372</b>	13,390,372
Al Tayyar for Tourist and Transportation Company (ATT) (a)	<b>13,805,118</b>	13,805,118
New Al Tayyar Limousine Company (NALC) (a)	<b>13,603,448</b>	13,603,448
Lena Tours and Travel (LTT)	<b>2,718,479</b>	2,718,479
Al Tayyar Rent A Car (ARAC)	<b>44,500,000</b>	44,500,000
Al Musaffir Magazine (AMM)	<b>1,426,644</b>	1,426,644
Al Mousim Travel and Tours (AMTT)	<b>13,750,000</b>	13,750,000
Jawlah Tours Establishment for Tourism (JTET)	<b>1,578,247</b>	1,659,259
Al Mowasim Tourism and Umrah Services (MWT)	<b>21,235,000</b>	21,235,000
Al Jazirah Travel	<b>2,014,001</b>	--
	<b>172,130,894</b>	170,197,905
Foreign currency translation	--	3,253,861
Total	<b>172,130,894</b>	173,451,766
Impairment losses (a)	<b>(30,000,000)</b>	(30,000,000)
Net	<b>142,130,894</b>	143,451,766

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

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

a) The loss on impairment is a result of the political uncertainty in Egypt.

**5 SHORT TERM BANK DEBTS**

	<b>31 March 2013</b>	31 March 2012
Short term loans	<b>1,385,160</b>	1,505,160
Murabaha-Islamic finance	<b>23,652,243</b>	400,662,000
	<b>25,037,403</b>	402,167,160

Short-term bank debts represent amounts outstanding under short-term bank debt facilities with certain local commercial banks to finance the working capital requirement of the Group at agreed commercial rates. The short term loans are guaranteed in part by a time deposit. The maximum guarantee during the period amounted to SAR 17 million (2012: SAR 12 million).

**AL TAYYAR TRAVEL GROUP**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****31 March 2013***(Saudi Riyals)***6 SEGMENT REPORTING**

The Group comprises the following main business segments

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

The revenue and gross profit by segment is shown below:

	<u>31 March</u> <u>2013</u>	<u>31 March</u> <u>2012</u>
<b><u>Revenue</u></b>		
Air Ticketing, Travel and Tours	1,520,167,475	1,320,081,205
Cargo	22,993,691	21,042,570
Transportation and other ('Others')	11,795,704	11,694,582
	<u>1,554,956,870</u>	<u>1,352,818,357</u>
	<u>31 March</u> <u>2013</u>	<u>31 March</u> <u>2012</u>
<b><u>Gross Profit</u></b>		
Air Ticketing, Travel and Tours	294,754,013	233,448,009
Cargo	2,717,653	2,571,150
Transportation and other ('Others')	4,080,741	5,735,900
	<u>301,552,407</u>	<u>241,755,059</u>

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

None of the above segments comprises 10% or more of the total consolidated assets or revenue except for Air Ticketing, Travel and Tours. Further 38% of the revenue for the period is generated from one governmental entity (2012: 41%). The contract with this governmental entity is valid till May 2014.

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

	<u>As at and for the period ended 31 March 2013</u>			
	<u>ATI</u>	<u>ATH</u>	<u>Others</u>	<u>Total</u>
Revenues	731,665,924	482,896,372	340,394,574	1,554,956,870
Gross profit	200,754,724	57,557,676	43,240,007	301,552,407
Depreciation	1,894,765	865,320	7,570,866	10,330,951
Total Assets	1,526,744,027	999,105,524	492,693,232	3,018,542,783
Total Liabilities	449,320,326	551,700,725	269,199,653	1,270,220,704

	<u>As at and for the period ended 31 March 2012</u>			
	<u>ATI</u>	<u>ATH</u>	<u>Others</u>	<u>Total</u>
Revenues	668,608,240	370,521,690	313,688,427	1,352,818,357
Gross profit	182,719,858	24,827,611	34,207,590	241,755,059
Depreciation	1,751,206	666,251	7,055,672	9,473,129
Total Assets	1,052,916,110	692,627,284	867,160,397	2,612,703,791
Total Liabilities	502,950,627	464,083,568	312,146,267	1,279,180,462

**AL TAYYAR TRAVEL GROUP**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)****31 March 2013***(Saudi Riyals)***6 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 commissions earned on the sale of these tickets, travels and tours is shown below:

	<u>31 March</u> <u>2013</u>	<u>31 March</u> <u>2012</u>
Commission earned on sale of airline tickets, travel and tours	<u>294,754,013</u>	<u>233,448,009</u>

**Geographical Segments**

The Group mainly operates in the following geographical areas:

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

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

	<u>Kingdom of Saudi Arabia</u>	
	<u>31 March</u> <u>2013</u>	<u>31 March</u> <u>2012</u>
Revenues	1,535,579,675	1,332,176,239
Gross profit	296,849,291	237,737,574
Depreciation	9,338,909	8,151,313
Total Assets	2,854,135,327	2,478,775,779
Total Liabilities	1,132,066,458	1,173,398,168

**7 EARNINGS PER SHARE**

Earnings 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 31 March 2013 of 80 million shares (80 million shares at 31 March 2012).

**8 COMMITMENTS**

The Group has capital commitments as at 31 March 2013 of SAR 10.3 million (31 March 2012: SAR 16.2 million) in respect of the construction of new office premises and others.

During the period, the Group has entered into an operating lease arrangement for the lease of certain properties in Makkah. The lease arrangement is for an initial duration of five years effective from January 2014 with an option to renew the lease after the expiry of initial lease period. Lease payments are fixed. The total amount payable over the initial five year lease period is SAR1.5 billion. An advance payment of SAR 15 million has been made as at 31 March 2013.

**AL TAYYAR TRAVEL GROUP**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**31 March 2013**  
(Saudi Riyals)

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**9      CONTINGENT LIABILITIES**

At 31 March 2013, the Group has SAR 138 million (31 March 2012: SAR 106 million) of bank guarantees issued by the Company's banks in respect of bid bonds, contracts advance payments and performance bonds.

**10     SUBSEQUENT EVENTS**

*Bonus shares*

On 2 April 2013, the extra ordinary general assembly meeting of Shareholders approved to issue as one Ordinary share for every two Ordinary shares. The bonus shares are to be issued from the retained earnings of the Company. Following the bonus issue, the total Ordinary share capital of the Company will be SAR 1.2 billion consisting of 120 million Ordinary shares.

*Investment in equity accounted investee*

Investments in equity accounted investees as at 31 March 2013 includes an amount of SAR 303.75 million (2012: nil) in respect of the Group interest in Muthmira Real Estate Investment Company (MREIC). The main activity of MREIC is a religious tourism project in Makkah.

At their meeting dated 6 April 2013, the board of directors approved an agreement to increase their shareholding from 36% to 75% in MREIC for a further consideration payable of SAR 325 million. The legal formalities are currently in progress.

*Change of name*

On the 2 April 2013, the extra ordinary general assembly meeting of Shareholders approved the change of the Company name to Al Tayyar Travel Group Holding Company. The legal formalities for this change of name are currently in progress.

**11     CURRENT PERIOD RESULTS**

The interim consolidated results for the period ended 31 March 2013 may not be an accurate indicator for the actual operating results for the whole year.