

AL TAYYAR TRAVEL GROUP
(A Saudi Joint Stock Company)
AND IT'S SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)
For the period ended 30 September 2012
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

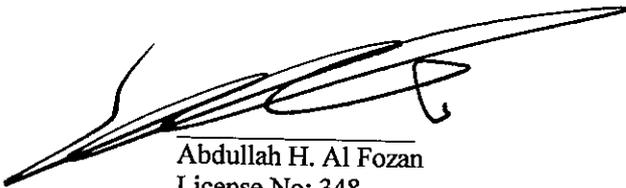
We have reviewed the accompanying interim consolidated balance sheet of **Al Tayyar Travel Group** and its subsidiaries (the Group) as at 30 September 2012, the related interim consolidated statement of income for the three month and the nine month periods then ended, the consolidated statement of cash flows for the nine month period then ended and the attached condensed notes (1) to (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: 18 Dhual Hijjah 1433H
Corresponding to: 3 November 2012

AL TAYYAR TRAVEL GROUP

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2012

(Saudi Riyals)

	<i>Notes</i>	<u>30 September 2012</u>	<u>30 September 2011</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		315,075,732	325,466,418
Trade receivables, net		995,860,943	985,402,866
Due from related parties		68,323,241	189,930,530
Prepayments and other receivables		319,260,628	363,618,561
Total current assets		<u>1,698,520,544</u>	<u>1,864,418,375</u>
Non current assets			
Investments in equity accounted investees	4	430,805,533	172,138,145
Investment properties		25,000,000	35,000,000
Available for sale investments		1,000,000	--
Intangible assets, net	5	145,526,755	143,403,415
Property and equipment, net		588,438,404	480,143,423
Capital work in progress		31,691,593	14,051,104
Total non current assets		<u>1,222,462,285</u>	<u>844,736,087</u>
Total assets		<u>2,920,982,829</u>	<u>2,709,154,462</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Bank overdrafts		42,388,061	95,465,528
Short term bank debts	6	600,328,292	454,736,137
Accrued expenses and other liabilities		427,449,385	553,322,369
Zakat and income tax		26,142,865	20,620,092
Trade payables		164,020,638	282,149,303
Due to related parties		41,095,091	7,775,689
Total current liabilities		<u>1,301,424,332</u>	<u>1,414,069,118</u>
Non current liabilities			
Employees' end of service benefits		37,169,901	29,332,487
Total non current liabilities		<u>37,169,901</u>	<u>29,332,487</u>
Total liabilities		<u>1,338,594,233</u>	<u>1,443,401,605</u>
<u>EQUITY</u>			
Equity attributable to the Company's shareholders			
Share capital		800,000,000	800,000,000
Statutory reserve		134,554,611	73,356,850
Foreign currency translation adjustments		(2,793,511)	(1,561,039)
Retained earnings		635,919,742	385,882,881
Total shareholders' equity		<u>1,567,680,842</u>	<u>1,257,678,692</u>
Minority Interests		14,707,754	8,074,165
Total equity		<u>1,582,388,596</u>	<u>1,265,752,857</u>
Total liabilities and equity		<u>2,920,982,829</u>	<u>2,709,154,462</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 (12) were approved on behalf of the Shareholders by the Board of Directors on 18 Dhual Hijjah 1433H, corresponding to 3 November 2012 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 30 September 2012

(Saudi Riyals)

	3 Months		9 Months	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	<i>Note</i>			
Revenue	1,300,422,327	1,103,484,260	4,060,882,875	3,352,496,555
Cost of revenue	(1,010,661,614)	(853,557,336)	(3,158,909,805)	(2,540,494,827)
Gross profit	289,760,713	249,926,924	901,973,070	812,001,728
Selling and marketing expenses	(38,432,371)	(39,379,446)	(146,977,705)	(159,483,132)
General and administrative expenses	(44,703,063)	(34,939,326)	(133,766,160)	(112,742,564)
Share of loss of equity accounted investees	(2,894,729)	(1,431,698)	(7,549,492)	(7,404,303)
Impairment loss of equity accounted investees	--	--	(20,000,000)	(12,053,753)
Impairment loss of intangible assets	--	--	--	(15,000,000)
Impairment loss of available for sale investments	--	--	--	(12,272,715)
Other income, net	16,598,261	15,925,872	60,051,770	43,776,233
Operating income	220,328,811	190,102,326	653,731,483	536,821,494
Gain on disposal of property and equipment	179,640	1,980,839	1,051,247	4,742,084
Finance income	179,849	139,605	585,334	263,439
Finance and Bank charges	(8,460,760)	(6,605,985)	(24,434,902)	(16,655,343)
Other expenses, net	(8,101,271)	(4,485,541)	(22,798,321)	(11,649,820)
Income before Zakat, income tax and minority interest	212,227,540	185,616,785	630,933,162	525,171,674
Provision for Zakat and income tax	(6,251,503)	(6,239,777)	(23,844,469)	(19,898,646)
Net income before minority interest	205,976,037	179,377,008	607,088,693	505,273,028
Minority interest	(4,640,499)	(5,145,806)	(8,928,302)	(6,369,650)
Net income for the period	201,335,538	174,231,202	598,160,391	498,903,378
Earnings per share from operating income	8 2.75	2.38	8.17	6.71
Losses per share from other expenses, net	8 (0.10)	(0.06)	(0.28)	(0.15)
Basic Earnings per share	8 2.52	2.18	7.48	6.24

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 30 September 2012***(Saudi Riyals)*

	<u>30 September</u> <u>2012</u>	<u>30 September</u> <u>2011</u>
Cash flows from operating activities		
Net income for the period	598,160,391	498,903,378
<i>Adjustments to reconcile net income to net cash from operating activities:</i>		
Depreciation	29,223,590	25,972,564
Gain on disposal of property and equipment	(1,051,247)	(4,742,084)
Gain on Foreign currency translation	(354,776)	(511,578)
Loss on impairment of intangible assets	--	15,000,000
Loss on impairment of available for sale investments	--	12,272,715
Share of loss of equity accounted investees	7,549,492	7,355,449
Loss from disposal of equity accounted investees	--	48,854
Loss on impairment of equity accounted investees	20,000,000	12,053,753
Provision for trade receivables	10,000,000	35,000,000
Minority interest	8,928,302	6,369,650
Finance and bank charges	24,434,902	16,655,343
Provision for employees' end of service benefits	8,493,336	5,616,499
Provision for Zakat and income tax	23,844,469	19,898,646
	<u>729,228,459</u>	<u>649,893,189</u>
Changes in operating assets and liabilities		
Trade receivables	(297,929,722)	(430,424,642)
Due from related parties	(43,725,414)	(143,414,583)
Prepayments and other receivables	(46,819,180)	(12,900,813)
Trade payables	(21,429,626)	140,012,701
Due to related parties	8,007,252	(13,735,554)
Accrued expenses and other liabilities	(154,050,528)	(249,989,273)
Employees' end of service benefits paid	(1,962,256)	(151,655)
Finance and bank charges paid	(20,364,916)	(14,765,658)
Zakat and income tax paid	(25,418,635)	(24,948,562)
Net cash from/(used in) operating activities	<u>125,535,434</u>	<u>(100,424,850)</u>
Cash flows from investing activities		
Payments for investments in equity accounted investees	(303,750,000)	(750,699)
Purchase of property and equipment	(144,687,227)	(83,976,788)
Dividend received from equity accounted investees	8,962,582	5,785,854
Proceeds from sale of investment in associates	--	179,207
Proceeds from disposal of property and equipment	2,848,340	16,432,073
Acquisition of subsidiaries, net of cash acquired	(2,021,798)	(20,010,000)
Net movement in capital work in progress	(12,818,545)	633,073
Net cash used in investing activities	<u>(451,466,648)</u>	<u>(81,707,280)</u>
Cash flows from financing activities		
Net movement in short term bank debts	507,126,100	342,994,977
Net movement in bank overdrafts	34,674,954	89,723,369
Minority Interest share of capital introduced	2,517,769	--
Dividends paid to minority shareholders	(3,826,825)	(2,983,581)
Dividends paid to shareholders	(306,921,210)	(302,412,112)
Net cash from financing activities	<u>233,570,788</u>	<u>127,322,653</u>
Net change in cash and cash equivalents	(92,360,426)	(54,809,477)
Cash and cash equivalents at the beginning of the period	407,436,158	380,275,895
Cash and cash equivalents at the end of the period	<u>315,075,732</u>	<u>325,466,418</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)****30 September 2012****1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES**

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

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

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

The Company's registered address is:

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

These 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 2012</u>	<u>September 2011</u>	
National Tourism and Travel Bureau Ltd. (NTTB)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Sarh Travel and Tourism Ltd. (ASTT)	Kingdom of Saudi Arabia	80%	80%	31 December
Al-Tayyar International Air Transportation Agency Co. Ltd (ATI)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar Holiday for Travel and Tourism Co. Ltd. (ATH)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar Travel, Tourism and Cargo Co. Ltd. (ATC)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

30 September 2012

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

<u>Consolidated subsidiaries (continued)</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>September 2012</u>	<u>September 2011</u>	
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
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%	--	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>September 2012</u>	<u>September 2011</u>	
Felix Airways Limited (FAL)	Yemen	30%	30%	31 December
Al-Shamel Int'l. Holding Co. K.S.C. (Closed) (ASI)	Kuwait	30%	30%	31 December
Grand Travel & Tours, LLC. (GTT)	USA	40%	40%	31 December
Voyage Amro Travel (VAT)	Canada	49%	49%	31 December
Al Tayyar Travel & Tourism Abu Dhabi	UAE	49%	49%	31 December
Taqniatech Company for Communication Technology Ltd. (TAQ)*	KSA	70%	70%	31 December
Muthmira Real Estate Investment Company (MREIC)	KSA	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>September 2012</u>	<u>September 2011</u>	
Al Wafeer Air (AWA)	Kingdom of Saudi Arabia	12.75%	12.75%	31 December
Taif Investments and Tourism Company (TITC)	Kingdom of Saudi Arabia	0.5%	--	31 December

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

30 September 2012.

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 by board of directors of the Parent Company on 18 Dhual Hijjah 1433 H (corresponding to 3 November 2012).

(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.

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 2011.

The interim condensed consolidated financial statements should be read together with the consolidated financial statements for the year ended 31 December 2011.

(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.

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

(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.

(d) *Investments*

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

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

Available for sale investments

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

(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 year 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) *Property and equipment (continued)***

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

(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.

(h) *Impairment of Assets*

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

(i) *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.

(j) *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.

(k) *Revenue Recognition*

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

(l) *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)

(m) *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.

(n) *Zakat and Income Tax*

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

(o) *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. 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.

(p) *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.

(q) *Dividends*

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

(r) *Financial instruments*

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. 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 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

Investments in equity accounted investees as at 30 September 2012 includes an amount of SR 303.75 million (2011: nil) in respect of its interest in Muthmira Real Estate Investment Company (MREIC). The main activity of MREIC is a religious tourism project in Makkah.

AI TAYYAR TRAVEL GROUP

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****30 September 2012***(Saudi Riyals)***5 INTANGIBLE ASSETS, NET**

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:

Goodwill

	30 September <u>2012</u>	30 September <u>2011</u>
National Travel and Tourism Bureau (NTTB)	6,212,311	6,212,311
Al Sarh Travel Agency (ASTA)	11,600,000	11,600,000
Al Tayyar Limousine Company (ALC)	(a) 26,297,274	26,297,274
Al Tayyar Rent a Car Company (ARC)	(a) 13,390,372	13,390,372
Al Tayyar for Tourist and Transportation Company (ATT)	(a) 13,805,118	13,805,118
New Al Tayyar Limousine Company (NALC)	(a) 13,603,448	13,603,448
Lena Tours and Travel (LTT)	2,718,479	2,718,479
Al Tayyar Rent A Car (ARAC)	44,500,000	44,500,000
Al Musaffir Magazine (AMM)	1,426,644	1,426,644
Al Mousim Travel and Tours (AMTT)	13,750,000	13,750,000
Jawlah Tours Establishment for Tourism (JTET)	1,578,247	1,909,159
Al Mowasim (MWT)	21,235,000	21,235,000
Al Jazirah Travel	2,014,001	--
	<u>172,130,894</u>	<u>170,447,805</u>
Foreign currency translation	3,395,861	2,955,610
Total	<u>175,526,755</u>	<u>173,403,415</u>
Impairment losses	(a) (30,000,000)	(30,000,000)
Net	<u>145,526,755</u>	<u>143,403,415</u>

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

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

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

6 SHORT TERM BANK DEBTS

	30 September <u>2012</u>	30 September <u>2011</u>
Short term loans	143,885,160	1,505,160
Murabah- Islamic finance	456,443,132	453,230,977
	<u>600,328,292</u>	<u>454,736,137</u>

Short-term bank debts represent amounts outstanding under short-term bank debt facilities with certain local commercial banks to finance the working capital requirement of the Group at agreed commercial rates. The short term loans are guaranteed in part by a time deposit amounting to SR17 million (2011: SR 12 million) and certain property amounting to SR 37 million (2011: SR 37 million).

AL TAYYAR TRAVEL GROUP

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(UNAUDITED)****30 September 2012***(Saudi Riyals)***7 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>30 September</u> <u>2012</u>	<u>30 September</u> <u>2011</u>
<u>Revenue</u>		
Air Ticketing, Travel and Tours	3,934,955,503	3,226,291,131
Cargo	81,456,414	91,137,744
Transportation and other ('Others')	44,470,958	35,067,680
	<u>4,060,882,875</u>	<u>3,352,496,555</u>
<u>Gross Profit</u>		
Air Ticketing, Travel and Tours	869,229,115	781,905,278
Cargo	8,616,637	12,479,758
Transportation and other ('Others')	24,127,318	17,616,692
	<u>901,973,070</u>	<u>812,001,728</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 is 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 34% of the revenues for the period is generated from one governmental entity (2011: 36%). The Group has renewed the contract with this governmental entity till 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 30 September 2012</u>			
	<u>ATI</u>	<u>ATH</u>	<u>Others</u>	<u>Total</u>
Revenues	1,616,291,386	1,332,705,057	1,111,886,432	4,060,882,875
Gross profit	591,760,312	186,380,431	123,832,327	901,973,070
Depreciation	5,020,389	2,233,387	21,969,814	29,223,590
Total Assets	1,339,752,693	484,002,466	1,097,227,670	2,920,982,829
Total Liabilities	508,360,315	109,167,260	721,066,658	1,338,594,233

	<u>As at and for the period ended 30 September 2011</u>			
	<u>ATI</u>	<u>ATH</u>	<u>Others</u>	<u>Total</u>
Revenues	1,186,637,264	1,185,067,118	980,792,173	3,352,496,555
Gross profit	594,896,357	109,314,048	107,791,323	812,001,728
Depreciation	4,413,820	1,992,183	19,566,561	25,972,564
Total Assets	948,877,890	537,450,602	1,222,825,970	2,709,154,462
Total Liabilities	479,334,458	432,300,486	531,766,661	1,443,401,605

AL TAYYAR TRAVEL GROUP
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
30 September 2012
(Saudi Riyals)

7 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>30 September</u> <u>2012</u>	<u>30 September</u> <u>2011</u>
Commission earned on sale of airline tickets, travel and tours	<u>869,229,115</u>	<u>781,905,278</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 Kingdom of Saudi Arabia

	<u>Kingdom of Saudi Arabia</u>	
	<u>30 September</u> <u>2012</u>	<u>30 September</u> <u>2011</u>
Revenues	3,994,206,918	3,274,417,052
Gross profit	889,819,714	797,573,278
Depreciation	25,732,995	16,943,726
Total Assets	2,762,688,762	2,578,722,548
Total Liabilities	1,211,772,197	1,336,699,259

8 EARNINGS PER SHARE

Earnings per share from operating income, other expenses and net income for the current and comparative periods has been calculated by using the number of ordinary shares outstanding as at 30 September 2012 of 80 million shares (80 million shares at 30 September 2011).

9 CAPITAL COMMITMENTS

The Group has capital commitments as at 30 September 2012 of SAR 17.5 million (30 September 2011: nil) in respect of the construction of new office premises.

10 CONTINGENT LIABILITIES

At 30 September 2012, the Group has SAR 121 million (30 September 2011: SAR 115 million) of bank guarantees issued by the Company's banks in respect of bid bonds, contracts advance payments and performance bonds.

11 CURRENT PERIOD RESULTS

The interim consolidated results for the period ended 30 September 2012 may not be an accurate indicator for the actual operating results for the whole year.