

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

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FOR THE YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITORS' REPORT

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

Riyadh, Kingdom of Saudi Arabia

Scope of audit:

We have audited the accompanying consolidated statement of financial position of **Al Tayyar Travel Group Holding Company** "A Saudi Joint Stock Company" (the Group) as of December 31, 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended, including the related notes from 1 to 35, These consolidated financial statements are the responsibility of the Company's management and have been prepared in accordance with the provisions of the Regulations for Companies and presented to us together with all the information and explanations which we required, Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion:

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

- present fairly, in all material respects, the consolidated financial position of **Al Tayyar Travel Group Holding Company** as of December 31, 2016 and the consolidated results of its operations, cash flows and its changes in equity for the year then ended in conformity with accounting principles generally accepted in the Kingdom of Saudi Arabia.
- comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



February 15, 2017 (G)
Jumada I' 18 1438 (H)

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Saudi Riyals)

		As at 31 December	
	Notes	2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	(4)	1,249,531,766	2,008,773,003
Trade receivables, net	(5)	1,535,955,469	732,312,383
Due from related parties	(6b)	38,033,271	12,465,096
Advances, prepayments and other receivables	(7)	524,413,736	648,363,403
Total current assets		3,347,934,242	3,401,913,885
Non-current assets			
Investments in associates	(8)	1,059,015,836	149,574,221
Investment properties, net	(9)	757,555,159	415,995,025
Available for sale investments	(10)	1,000,000	4,524,949
Intangible assets, net	(11)	202,753,670	290,359,673
Property and equipment, net	(12)	1,290,316,182	1,023,710,582
Assets held for sales	(13)	359,747,097	359,747,097
Capital work in progress	(14)	2,357,743,410	2,775,603,643
Total non-current assets		6,028,131,354	5,019,515,190
Total assets		9,376,065,596	8,421,429,075
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts	(15)	9,836,262	10,824,105
Short term debts	(16)	216,542,672	198,344,161
Current portion of long term loan	(19)	--	142,583,316
Trade payables		1,526,315,939	1,005,841,769
Accrued expenses and other current liabilities	(17)	739,224,534	1,430,854,114
Provisions		25,000,000	25,000,000
Due to related parties	(6c)	324,377,669	372,947,040
Zakat and income tax provision	(18c)	43,458,250	48,747,350
Total current liabilities		2,884,755,326	3,235,141,855
Non-current liabilities			
Long term loan	(19)	861,000,000	1,106,905,939
Employees' end of service benefits		86,413,483	73,575,448
Total non-current liabilities		947,413,483	1,180,481,387
Total liabilities		3,832,168,809	4,415,623,242
EQUITY			
Shareholders' equity:			
Share capital	(1)	2,096,500,000	2,000,000,000
Share premium reserve	(1)	707,345,000	--
Statutory reserve	(21)	618,485,496	535,860,943
Translation adjustments for foreign operations		(141,684,337)	(49,858,357)
Fair value reserve		--	(368,301)
Retained earnings		2,229,314,220	1,485,693,245
Total shareholders' equity		5,509,960,379	3,971,327,530
Non-controlling interest	(22)	33,936,408	34,478,303
Total equity		5,543,896,787	4,005,805,833
Total liabilities and equity		9,376,065,596	8,421,429,075

The accompanying notes (1) through (35) form an integral part of these consolidated financial statements.

The financial statements on pages (1) to (41) were approved on behalf of the shareholders by the Board of Directors on 18 Jumada I, 1438H corresponding to 15 February 2017 and signed on behalf of the Board by:

Yazeed Khalid Al Muhayzle
Board Member

Abdullah Nasser Al Dawood
Chief Executive Officer

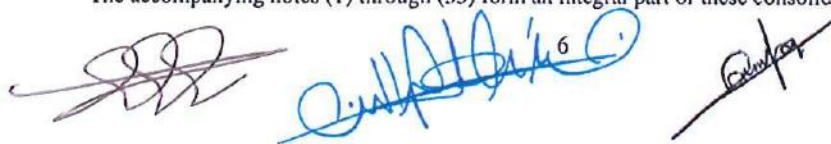
Yousif Mousa Yousif
Group Chief Financial Officer

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
(Saudi Riyals)

		For the year ended 31 December	
	<u>Notes</u>	2016	2015
Revenue, net	(23,28)	8,041,140,709	8,631,044,240
Cost of revenue, net	(24)	(6,551,974,128)	(6,830,710,571)
Gross profit		1,489,166,581	1,800,333,669
Selling and marketing expenses	(25)	(272,374,525)	(277,395,017)
General and administrative expenses	(26)	(396,463,428)	(415,005,555)
Share of (loss) of associates	(8)	(53,074,910)	(11,454,589)
Impairment loss of associates	(8)	(6,432,669)	(30,000,000)
Impairment loss of intangible assets	(11i)	(76,651,341)	(37,096,212)
Other operating income, net		191,631,974	173,232,850
Operating income		875,801,682	1,202,615,146
(Loss) gain on disposal of property and equipment		(7,107,049)	4,524,597
Gain on disposal of available for sale investment		1,137,043	--
Finance income		30,410,178	16,165,784
Loss from disposal of subsidiaries		(4,619,592)	--
Gains from acquisition a subsidiary		10,119,972	--
Finance and bank charges		(46,291,742)	(18,512,519)
Other (expenses) income, net		(16,351,190)	2,177,862
Income before Zakat, income tax and non-controlling interest		859,450,492	1,204,793,008
Zakat and income tax	(18a)	(30,000,385)	(36,026,410)
Income before non-controlling Interest		829,450,107	1,168,766,598
Non-controlling interest		(3,204,579)	(7,210,497)
Net income for the year		826,245,528	1,161,556,101
<u>Basic earnings (loss) per share</u>			
Earnings per share from operating income	(27)	4.23	6.01
Loss per share from other income, net	(27)	(0.08)	0.01
Net income for the year	(27)	3.99	5.81

The accompanying notes (1) through (35) form an integral part of these consolidated financial statements.



AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
(Saudi Riyals)

	Notes	For the year ended December 31 2016	2015
Cash flows from operating activities			
Net income for the year		826,245,528	1,161,556,101
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortisation	(9,11,12)	99,592,168	91,489,759
Loss (gain) on disposal of property and equipment		7,107,049	(4,524,597)
Share of loss of investments in associates	(8)	53,074,910	11,454,589
Impairment loss of investments in associates	(8)	6,432,669	30,000,000
Gain on sale of available for sale investments		(1,137,043)	--
Loss on disposal of subsidiary		4,619,592	--
Impairment loss of intangible assets	(11i)	76,651,341	37,096,212
Gain from acquisition a subsidiary		(10,119,972)	--
Provision for trade receivables and write off for due from related parties	(25)	7,658,466	6,262,906
Provision for employees' end of service benefits		14,447,493	26,040,963
Provision for Zakat and income tax	(18c)	30,000,385	36,026,410
		<u>1,114,572,586</u>	<u>1,395,402,343</u>
(Increase) decrease in operating assets			
Trade receivables		(744,615,099)	129,694,805
Due from related parties		(25,568,175)	7,043,916
Advances, prepayments and other receivables		130,569,580	(30,426,017)
Increase (decrease) in operating liabilities			
Trade payables		462,190,148	17,008,830
Due to related parties		(48,569,371)	281,791,804
Accrued expenses and other liabilities		(713,280,192)	(254,831,341)
Surplus cash from operation		<u>175,299,477</u>	<u>1,545,684,340</u>
Employees' end of service benefits paid		(22,438,964)	(10,573,773)
Zakat and income tax (paid)	(18c)	(35,289,485)	(30,579,127)
Net cash from operating activities		<u>117,571,028</u>	<u>1,504,531,440</u>
Cash flows from investing activities			
Payments for investments in associates		(155,686,063)	(101,988,079)
Dividends received from investment in associates		1,774,257	--
Purchase of property and equipment		(167,613,953)	(186,182,682)
Purchase of available for sale investment		--	(3,893,250)
Acquisition of subsidiaries, net of cash		15,695,189	(26,232,856)
Acquisition of interest in subsidiary		--	3,669,777
Disposal of Subsidiaries, net of cash		170,963	--
Net paid of purchase of intangible assets	(11ii)	(6,563,316)	(13,479,968)
Proceeds from disposal of available for sale investments		5,030,293	--
Proceeds from sale of property and equipment		56,364,635	25,470,629
Net movement in capital work in progress		(223,116,228)	(2,119,595,057)
Net cash used in investing activities		<u>(473,944,223)</u>	<u>(2,422,231,486)</u>
Cash flows from financing activities			
Net movement in short term debts		18,198,511	(260,955,157)
Net movement in bank overdrafts		(987,843)	(3,958,012)
Net movement in long term loan		(388,489,255)	1,248,749,255
Change in non-controlling interest		(541,895)	1,779,194
Net cash (used in) from financing activities		<u>(371,820,482)</u>	<u>985,615,280</u>
Net change in cash and cash equivalents		<u>(728,193,677)</u>	<u>67,915,234</u>
Cash and cash equivalents at the beginning of the year		2,008,773,003	1,958,637,662
Foreign currency translation gain		(31,047,560)	(17,779,893)
Cash and cash equivalents at the end of the year	(4)	<u>1,249,531,766</u>	<u>2,008,773,003</u>
Non-cash transactions:			
Capital increase against investment in associate		803,845,000	--
Advances, prepayments and receivables		500,000	--
Capital works in progress transferred to property and equipment		(289,244,671)	--
Capital works in progress transferred to investment property		(362,412,725)	--
Property and equipment transferred to capital works in progress		10,680,935	--
Property and equipment transferred to investment property		--	390,995,025
Foreign currency translation		60,778,420	5,249,909

The accompanying notes (1) through (35) form an integral part of these consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Saudi Riyals)

	Share capital	Share premium reserve	Statutory reserve	Translation adjustment for foreign operations	Fair value reserve	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
The year ended 31 December 2015									
At the beginning of the year	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 year	-	-	-	-	-	1,161,556,101	1,161,556,101	7,210,497	1,168,766,598
Transferred to statutory reserve	-	-	116,155,610	-	-	(116,155,610)	-	-	-
Bonus shares	500,000,000	-	-	-	-	(500,000,000)	-	-	-
Acquisition of interest in subsidiary	-	-	-	-	-	-	-	8,946,068	8,946,068
Change in fair value of available for sale investment	-	-	-	-	-	-	-	-	-
Translation adjustment for foreign operations	-	-	-	-	(368,301)	-	(368,301)	-	(368,301)
Dividends paid non-controlling interest	-	-	-	(31,138,393)	-	-	(31,138,393)	-	(31,138,393)
At the end of the year	2,000,000,000	-	535,860,943	(49,858,557)	(368,301)	1,485,693,245	3,971,327,530	(5,431,303)	4,005,805,833
The year ended 31 December 2016									
At the beginning of the year	2,000,000,000	-	535,860,943	(49,858,557)	(368,301)	1,485,693,245	3,971,327,530	34,478,303	4,005,805,833
Increase in share capital	96,500,000	707,345,000	-	-	-	-	803,845,000	-	803,845,000
Net income for the year	-	-	-	-	-	826,245,528	826,245,528	3,204,579	829,450,107
Transferred to statutory reserve	-	-	82,624,553	-	-	(82,624,553)	-	-	-
Minority share of subsidiary disposed	-	-	-	-	-	-	-	(840,706)	(840,706)
Loss on equity transaction	-	-	-	-	-	-	-	(740,614)	(740,614)
Change in fair value of available for sale investment	-	-	-	-	-	-	-	-	-
Disposal of available for sale investment	-	-	-	-	1,505,344	-	1,505,344	-	1,505,344
Dividends paid non-controlling interest	-	-	-	-	(1,137,043)	-	(1,137,043)	-	(1,137,043)
Translation adjustment for foreign operations	-	-	-	-	-	-	-	(2,165,154)	(2,165,154)
At the end of the year	2,096,500,000	707,345,000	618,485,496	(91,825,980)	-	2,229,314,220	5,509,960,379	33,936,408	5,543,896,787

The accompanying notes (1) through (35) form an integral part of these consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Saudi Riyals)

1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES

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

On 10 March 2016, the extra-ordinary general assembly meeting of Shareholders approved to issue 9,650,000 new ordinary shares at the price of SR 83.3 per share to acquire 30% of the share capital of Thakher Investment and Real Estate Company (TIREC) for a consideration of SR 804 million. Following the shares issue, the capital of the Parent is being of SR 2,096.5 million and consists of 209,650,000 ordinary shares of SR 10 each, and an amount of SR 707.34 million has been recorded in Share premium reserve.

The capital increase of SR 96.5 million has been recorded in commercial register on 3 April 2016.

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

The Company's registered address is:

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

These 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>2016</u>	<u>2015</u>
National Travel and Tourism Bureau Limited (NTTB)	KSA	100%	100%
Al Sarh Travel and Tourism Limited (ASTT)	KSA	80%	80%
Al Tayyar International Air Transportation Agency Company Limited (ATI)	KSA	100%	100%
Al Tayyar Holiday for Travel and Tourism Company Limited (ATH)	KSA	100%	100%
Al Tayyar Travel, Tourism and Cargo Company Limited (ATC)	KSA	100%	100%
Al Tayyar Holidays Travel Group Company (ATE)	Egypt	100%	100%
Al Tayyar Cargo and Custom Clearance Company (ATCC)	Egypt	100%	100%
E Al Tayyar Tourism Company (ATT)	Egypt	100%	100%
E Al Tayyar Tours Company (ALC)	Egypt	100%	100%
Nile Holidays Tourism Company (NALC)	Egypt	100%	100%
Al Tayyar Rent A Car Company (ARC)	Egypt	100%	100%
Lena Tours & Travel (LTT)	Lebanon	100%	100%
Belantara Holidays SDN. BHD (BHSB)	Malaysia	100%	100%
Fuego Travel & Tours SDN. BHD (FTTSB)	Malaysia	80%	80%
Al Tayyar International Company Limited (ATS)	Sudan	75%	75%
Al Tayyar Travel and Tourism (ATD)	UAE	100%	100%
Taqniatech Company for Communication Technology Limited (TAQ)	KSA	100%	100%
Al Tayyar Real Estate, Tourism Development and Investment Company Hotels (ARE)	KSA	100%	100%

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Saudi Riyals)

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>2016</u>	<u>2015</u>	
Al Tayyar Insurance Broker Company Limited (INS)	KSA	--	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
Tajawal Travel and Tourism Co. Limited (Last Minute Reservation Co.) (TTC)	KSA	100%	100%	31 December
Al Mousim Travel & Tours (AMTT)	KSA	100%	100%	31 December
Jawlah Tours Establishment for Tourism (JTET)	KSA	51%	51%	31 December
Al Mawasim Tourism and Umrah Services (MWT)	KSA	51%	51%	31 December
Al Jazirah Travel (AJT)	KSA	--	70%	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 (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 (EPJS)	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%	100%	31 December
Saudi Conference & Incentive Tours Company (SCI)	KSA	100%	100%	31 December
Calculus Technologies LLC (CTL)	India	100%	100%	31 December
B2B Travel Group S.L. (B2B)	Spain	100%	80%	31 December
Hanay Trading Company Limited (HTCL)	KSA	80%	80%	31 December
Saudi Company for Transportation United (SCT)	KSA	100%	90%	31 December
Mosafer Company for Travel and Tourism (MCT)	KSA	60%	60%	31 December
Wadi Saudi Trading Co. (WSTC)	KSA	100%	--	31 December
Portman Group International S.A.R.L (PGI)	UK	100%	--	31 December

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

<u>Investment in associates</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>2016</u>	<u>2015</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
Voyage Amro Travel (VAT)	Canada	49%	49%	31 December
Al Tayyar Travel & Tourism Abu Dhabi (TTAD)	UAE	49%	49%	31 December
Taqniatech Company for Communication Technology JV (TAQJV)*	KSA	70%	70%	31 December
2share United Communication Company (TUCC)	KSA	35%	35%	31 December
Net Tours & Travels LLC (NT)	UAE	44.3%	44.3%	31 December
Careem Inc. (CIL)	BVI	20%	20%	31 December
Saudi Heritage Hospitality Company (SHHC)	KSA	20%	20%	31 December
Equinox Group Limited (EGL)	UAE	40%	40%	31 December
Thakher Investment and Real Estate Co. (TIREC)	KSA	30%	--	31 December
Wadi Middle East S.A.R.L. (WME)	LUX	33.3%	--	31 December
Equinox Ventures Ltd. (EVL)	UAE	40%	--	31 December
Radius Global Travel Company (RGTC)	USA	26%	--	31 December

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Saudi Riyals)

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>2016</u>	<u>2015</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

Subsidiaries:

NTTB – is a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010055724 dated 04/01/1405H corresponding to 29/09/1984. NTTB is engaged in the travel and tourism business.

ASTT – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010015548 dated 17/04/1398H corresponding to 26/03/1978. ASTT is engaged in the travel and tourism business.

ATI – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010202741 dated 09/09/1425H corresponding to 22/10/2004. ATI is engaged in travel and tourism, air transportation services, owning and leasing of aeroplanes.

ATH – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010169341 dated 02/07/1422H corresponding to 19/09/2001. ATH is engaged in travel and tourism and triptiques .

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

ATE – is a limited liability company registered in Egypt under Commercial Registration No. 4846 dated 08/03/2000. ATE is engaged in travel and tourism business.

ATCC – is a limited liability company registered in Egypt under Commercial Registration No. 9235 dated 14/11/2002. ATCC is engaged in air, sea, land cargo and custom duty services.

ATT – is a limited liability company registered in Egypt under Commercial Registration No. 328719 dated 23/01/2000. ATT is engaged in rent a car business.

ALC – is a limited liability company registered in Egypt under Commercial Registration No. 328138 dated 18/12/1999. ALC is engaged in rent a car business.

NALC – is a limited liability company registered in Egypt under Commercial Registration No. 13215 dated 10/04/2004. NALC is engaged in rent a car business.

ARC – is a limited liability company registered in Egypt under Commercial Registration No. 3965 dated 12/10/1999. ARC is engaged in rent a car business.

LTT – is a limited liability company incorporated in Lebanon as per commercial registration # 030996 dated 14 February 1989. LTT is engaged in travel and tourism business.

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

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

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(Saudi Riyals)

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

Subsidiaries (continued):

FTTSB - is a private limited liability company registered in Malaysia with Registration No. 907758-U. FTTSB is engaged in travel and tourism business.

ATS – is a limited liability company registered in Sudan under Commercial Registration No. 14412 dated 06/12/1999. ATS is engaged in travel and tourism business.

ATD – is a limited liability company registered in United Arab Emirates under Commercial Registration No. 1249337 dated 09/08/1997. ATD is engaged in travel, tourism and other related services.

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

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

ARAC – is a limited liability company registered in KSA under the commercial registration number 1010228226 dated 01/08/1428H. The company is licensed by Ministry of Transport, license number 10102050800, dated 21/12/1421 H to carry out all the rental related services.

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

HSC – is a limited liability company registered in KSA under the commercial registration number 1010201004 dated 07/07/1425H. HSC is engaged in providing space for storage goods and marketing of the same.

TTC - is a limited liability company registered in KSA under the commercial registration number 1010221997 dated 17/04/1427H. TTC is engaged in providing online travel, tourism and other related services.

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

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

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

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

Subsidiaries (continued):

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

MREIC - is a limited liability company registered in KSA under the commercial registration number 1010327099 dated 08/03/1433H. The main activity of MREIC is development and operation of residential and commercial buildings in Makkah area.

SWTT - is a limited liability company registered in KSA under Commercial Registration No. 1010315116 dated 23/09/1432. SWTT is engaged in travel, tourism, and other travel related services.

MTT – is a limited liability company, registered in England and Wales under Commercial Registration No. 8831424 dated 1 Rabi I 1435H corresponding to 3 January 2014. MTT is engaged in travel and tourism business.

ERL – is a limited liability company registered in England and Wales under Commercial Registration No. 02100913. ERL is a luxury holiday tour operator.

EPJS – is a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010188648 dated 27 Jumada I 1434H corresponding to 8 April 2013. EPJS is registered to own and operate aircraft, and provide cargo services.

AHTS – is a limited liability company, registered in Egypt under Commercial Registration No. 3917 dated 16 Muharram 1422 H corresponding to 10 April 2001. AHTS is engaged in travel and tourism business and providing Hajj and Umrah services.

CTM – is a limited liability company registered in England and Wales under Commercial Registration No. 07413801. CTM is engaged in provision of travel services.

CTS – is a limited liability company registered in Lebanon under Commercial Registration No. 1001966. CTS is engaged in travel and tourism business.

FTT - is a limited liability company registered in Riyadh under Commercial Registration No. 1010313014. FTT is engaged in travel and tourism business.

SCI – is a limited liability company registered in Riyadh under Commercial Registration No. 1010412539. SCI is a newly incorporated company and engaged in management of exhibitions and conferences.

CTL – is a limited liability company registered in India under Commercial Registration No. 1066007. CTL is engaged in travel and tourism information technology services.

B2B – is a limited liability company registered in Spain under Registration No. 2014C3688470304X. B2B is engaged in travel and tours related services.

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

SCT – is a limited liability company registered in Saudi Arabia under Registration No. 1010079694. SCT is engaged in rent a car business.

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

Subsidiaries (continued):

MCT – is a limited liability company registered in Saudi Arabia under Registration No. 1010363465. MCT is engaged in the sale of holiday packages.

WSTC – is a limited liability company registered in Saudi Arabia under Registration No. 1010439045. WSTC is engaged in online shopping for fashion and accessories.

PGI – is a limited liability company registered in United Kingdom under Registration No. 05961505. PGI is engaged in travel and tourism and transportation services.

Investment in associates:

FAL - is a limited liability company registered in Yemen as per commercial registration # 792 dated 04 November 2007. FAL is engaged in providing domestic and international airline services within and outside Yemen.

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

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

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

TUCC - is a limited liability company registered in KSA under the commercial registration number 1010237069. The main activity of TUCC is to provide telecommunication and call center services under the license number 11-13-28 dated 16/11/1428H.

NT - is a limited liability company incorporated in the United Arab Emirates under the commercial registration number 53109. The Company is engaged in providing tourism related services.

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

SHHC – is a newly incorporated closed joint stock company registered in KSA under the commercial registration number 1010434299 and engaged in the development and management of tourism, heritage accommodation and traditional hospitality facilities.

EGL – is a limited liability company incorporated in the United Arab Emirates under the commercial registration number 168046. The Company deals in the business of providing integral and strategic consultations of asset management in the hospitality and hotel industry.

TIREC - is a limited liability company registered in KSA under the commercial registration number 5669801304 dated 13/03/1436H. The main activity of TIREC is development and operation of residential and commercial buildings in Makkah area.

WME – is a limited liability company under the laws of the Grand Duchy of Luxembourg with its statutory seat in Luxembourg, registered with the Luxembourg Trade and Companies' Register under no. B 183.137, having its business address at 5 Heinhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg.

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

EVV – is registered on 02/11/2016 with registration number 177987 in accordance with the offshore companies regulations of Jebel Ali Free Zone of 2003.

RGTC - was originated on June 30, 1992, as a result of the merger of TTI joint venture Inc. (Travel Trust International) and woodside Travel Management WTT, Inc. WTT, Inc was incorporated under the laws of the state of Delaware on June 18, 2007.

Available for sale investments:

AWA – is a limited liability company registered in KSA under the commercial registration number 178108 dated 06/04/1429H. AWA is engaged in providing Hajj and Umrah chartered flights. The operating activities of the Company have been ceased in 2011.

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

SGS – is a joint stock company registered in KSA under the commercial registration number 4030181005 dated 11 Rajab 1429H. SGS is engaged in providing aircraft cleaning, passenger handling, baggage and ground handling services to Saudi Arabian Airlines, other local and foreign airlines at all local airports in KSA.

2. BASIS OF PREPARATION

(a) *Statement of compliance*

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

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

These consolidated financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Group.

(d) *Use of estimates and judgements*

The preparation of 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.

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2. BASIS OF PREPARATION (Continued)

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 consolidated financial statements is included in the following accounts:

- Trade receivables (note 5)
- Investment in associates (note 8)
- Intangible assets (note 11)
- Property and equipment (note 12)
- Provisions

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 (note 5)
- Impairment of investment in associates (note 8)
- Impairment of intangible assets (note 11)
- Impairment of property and equipment (note 12)
- Assets held for sale (note 13)
- Provisions

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

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 concluded financial statements

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

(b) Cash and cash equivalents

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Trade receivables

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

(d) Investments

Investments in associates and jointly controlled entities (associates)

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 consolidated financial statements include the Group's share of income and expenses and equity movement of the associates 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 Group 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 consolidated statement of income when incurred.

Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of individual items of property and equipment. Major overhaul expenditure on owned aircraft is depreciated over the shorter of the period to the next major overhaul or the useful life of the asset concerned.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>Years</u>
Buildings (excluding land)	20
Furniture, fixtures, decorations, telecommunication systems, air conditioning and cooling systems, tools and hardware, safes and vaults	6.67- 10
Computers and office equipment, security systems	5
Vehicles	4
Aircraft, engine and spare parts (estimated residual values 10-15%)	6.67- 20

(f) Investment property

Investment property is initially measured at cost and subsequently is stated at cost less accumulated depreciation and any accumulated impairment losses (if any). The cost less estimated residual value is depreciated on a straight line basis over the estimated useful lives of the assets.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income as other income or expenses.

(g) Capital work-in-progress

Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use at which time they will be transferred to property and equipment. 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.

(h) Intangible assets

Goodwill

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

Other intangibles

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

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in consolidated statement of income.

The estimated useful lives are as follows:

	<u>Years</u>
Software	5
Brand name	20
Customer list	10

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *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 consolidated 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.

(j) *Trade payables and accruals*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(k) *Borrowings*

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

(l) *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.

(m) *Employees' end of service benefits*

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

(n) *Contingent liabilities and contingent assets*

Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each statement of financial position date and disclosed in the Group's financial statements under contingent liabilities.

Contingent assets

All possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group should be assessed at each statement of financial position date and are disclosed in the consolidated financial statements under contingent assets.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) *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 rendered. Other income is recorded when earned.

Other operating income primarily reflects airline incentives receivable. Airline incentives are recorded in other operating income once earned.

(p) *Operating leases*

Payments under operating leases are recognized in the consolidated 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.

(q) *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.

(r) *Zakat and income tax*

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

(s) *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 Group's management and internal reporting structure.

(t) *Foreign currency translation and foreign subsidiaries*

Transactions denominated in foreign currencies are translated to the functional currency of the Group at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position 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 Riyals. Assets and liabilities of foreign subsidiaries are translated into Saudi Riyals at the exchange rates in effect at the date of the consolidated statement of financial position. The components of foreign subsidiaries' equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' income statement are translated using the weighted-average exchange rate for the year.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual agreements of the financial 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 consolidated financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at statement of financial position date.

(w) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. CASH AND CASH EQUIVALENTS

	2016	2015
Cash on hand	9,282,025	7,065,901
Bank balances – Current accounts	240,249,741	451,707,102
Bank balances – Time deposit accounts	1,000,000,000	1,550,000,000
	1,249,531,766	2,008,773,003

5. TRADE RECEIVABLES, NET

	2016	2015
Trade receivables	1,777,083,622	976,167,351
Provision for doubtful receivables	(241,128,153)	(243,854,968)
	1,535,955,469	732,312,383

The Group's exposure to credit risk in respect of trade receivables is shown in note 31.

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6. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Name of Related Party</u>	<u>Relationship</u>
Felix Airways Limited	Associate
Voyage Amro Travel	Associate
Al Shamel international Holding Company	Associate
Careem Inc.	Associate / Ownership interest by Board member
Ahmed Al Tigani Ahmed	Minority shareholder of ATS
Majid Al Nafai	Minority shareholder of MWT
Ashref Al Sayed	Minority shareholder of AHTS
Mohaideb Ali Al Mohaideb	Minority shareholder of ASTT
Abdullah Al Ajlani	Minority shareholder of HTCL
Riyadh Cables Group	Ownership interest by Board member
Gulf International Trading and Real Estate Company	Ownership interest by Board member
Bonyan Almdaen Company	Ownership interest by majority shareholder of ATG
2share United Communication Company	Ownership interest by majority shareholder of ATG
Forbes Middle East	Ownership interest by majority shareholder of ATG
Medina Publishing & Printing Company	Ownership interest by majority shareholder of ATG
Nile Air	Ownership interest by majority shareholder of ATG
Saudi Batal Design Company	Ownership interest by majority shareholder of ATG
Al Imtiaz Food Company	Ownership interest by majority shareholder of ATG
Al Tayyar Real Estate Development Company	Ownership interest by majority shareholder of ATG

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6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	For the year ended 31 December 2016				
	<u>Sales</u>	<u>Purchases</u>	<u>Receipts</u>	<u>Payments</u>	<u>Other costs / (revenues)</u>
Felix Airways Limited	--	--	--	--	(6,079,182)
Voyage Amro Travel	11,558	59,044,626	199,485	61,343,355	--
Al Shamel International Holding Company	--	3,200,519	39,547	3,390,043	23
Ahmed Al Tigani Ahmed	--	--	--	--	(166,490)
Majid Al Nafai	--	--	--	--	1,095,320
Riyadh Cables Group	433,690	--	485,444	--	--
Gulf International Trading and Real Estate Company	481,440	--	463,000	--	--
Bonyan Almdaen Company	--	--	--	--	72,001
2share United Communication Company	48,433	--	--	--	20,000
Forbes Middle East	--	--	--	--	(595,831)
Medina Publishing & Printing Company	--	--	--	--	12,921
Nile Air	43,623	234,328,920	2,996,117	262,560,926	(2,129,134)
Saudi Batal Design Company	828,472	--	834,721	--	--
Al Imtiaz Food Company	--	--	--	--	(4,928)
Al Tayyar Real Estate Development Company	3,435,913	--	--	6,759	37,417,532
Careem Inc.	--	--	--	--	(102,234)
Jean Abboud	--	--	--	--	2,682,171
Farook Al Jarasy	--	--	--	--	5,304,642
Equinox Ventures Ltd.	50,417	--	45,315	--	--
Mohaideb Ali Al Mohaideb	--	--	--	--	123,581
Abdullah Al Ajlani	--	--	--	4,500,000	990,219

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6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	For the year ended 31 December 2015				
	<u>Sales</u>	<u>Purchases</u>	<u>Receipts</u>	<u>Payments</u>	<u>Other costs / (revenues)</u>
Felix Airways Limited	--	1,205,719	--	2,293,831	(35,915)
Voyage Amro Travel	--	82,822,416	--	72,026,465	--
Al Shamel International Holding Company	--	4,441,141	--	4,420,737	(1,004,598)
Ahmed Al Tigani Ahmed	--	--	--	--	(10,049)
Majid Al Nafai	--	--	--	--	899,600
Riyadh Cables Group	614,104	--	647,798	--	--
Gulf International Trading and Real Estate Company	483,513	--	480,000	--	--
Bonyan Almdaen Company	--	--	--	3,613,199	(5,086,398)
2share United Communication Company	284,044	--	--	746,887	(307,393)
Forbes Middle East	13,871	--	--	2,426,478	(2,931,589)
Medina Publishing & Printing Company	--	--	--	--	(50,936)
Nile Air	159,792	214,954,235	2,947,503	210,803,746	74,909
Saudi Batal Design Company	756,720	--	929,420	--	156,152
Al Imtiaz Food Company	--	--	--	--	2,455
Al Tayyar Real Estate Development Company	3,247,805	--	1,124,637	--	(263,897,214)
Ashref Al Sayed	--	--	--	--	99,197
Careem Inc.	--	--	--	--	90,368
Mohaideb Ali Al Mohaideb	--	--	--	--	(172,632)
Abdullah Al Ajlani	--	--	--	--	(9,000,000)

b) Due from related parties

	<u>2016</u>	<u>2015</u>
Felix Airways Limited	--	6,079,182
Forbes Middle East	1,610,124	2,205,955
Saudi Batal Design Company	1,835,189	1,841,438
2share united Communication Company	1,094,331	1,025,898
Nile Air	24,060,417	910,039
Riyadh Cables Group	68,255	120,009
Careem Inc.	--	90,368
Bonyan Almdaen Company	156,622	84,621
Al Imtiaz Food Company	67,500	72,428
Gulf International Trading and Real Estate Company	53,598	35,158
Equinox Ventures Ltd.	5,102	--
Farook Al Jarasy	5,304,642	--
Jean Abboud	2,682,171	--
Majid Al Nafai	1,095,320	--
	38,033,271	12,465,096

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6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

<i>c) Due to related parties</i>	2016	2015
Al Tayyar Real Estate Development Company	236,574,462	277,434,666
Voyage Amro Travel	82,705,490	84,816,292
Abdullah Al Ajlani	3,509,781	9,000,000
Al Shamel International Holding Company	1,175,519	1,325,519
Ahmed Al Tigani Ahmed	351,500	185,010
Mohaideb Ali Al Mohaideb	49,051	172,632
Medina Publishing & Printing Company	--	12,921
Careem Inc.	11,866	--
	324,377,669	372,947,040

(d) Aggregate remuneration charged to the consolidated financial statements for the year relating to Board members and key management personnel amounted to SR 14,874,913 (2015: SR 25,613,662). This has been charged to the general & administrative and selling & marketing expenses.

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
Advances		
Advances to suppliers	329,014,175	470,800,251
Advances for letter of guarantee margins (see note 30)	17,687,567	23,744,928
Other advances	7,834,765	12,672,550
	354,536,507	507,217,729
Prepayments		
Rents	21,939,715	19,280,583
Insurance	16,947,172	12,478,562
Housing allowance	1,230,439	512,200
Subscription fees	94,818	181,767
Other prepayments	4,448,604	4,453,050
	44,660,748	36,906,162
Other receivables		
Accrued incentives	59,365,518	61,249,128
Employee receivables	12,227,575	14,599,891
Consumables	6,286,635	8,720,872
Taxes	11,377,957	7,962,948
Accrued finance income	19,742,698	4,226,575
Amount held for unclaimed refunded tickets	1,845,069	287,513
Tickets under settlement	6,778,909	--
Other receivables	7,592,120	7,192,585
	125,216,481	104,239,512
	524,413,736	648,363,403

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8. INVESTMENTS IN ASSOCIATES

	Share holding %	2015	Additions	Current year profit / (loss)	Dividends	Impairment	2016
Felix Airways Limited (FAL)	30%	--	--	--	--	--	--
Al Shamel International Holding Co. KSC (ASI)	30%	25,825,067	--	(299,341)	--	--	25,525,726
Taqniattech Company for Communication Technology JV (TAQJV)	70%	1,752,110	--	--	--	(1,752,110)	--
Al Tayyar Travel and Tourism - Abu Dhabi (TTAD)	49%	512,269	--	--	--	(512,269)	--
Voyage Amro Travel (VAT)	49%	7,297,101	--	1,341,133	(1,774,257)	--	6,863,977
2Share United Communication Company (TUCC)	35%	1,105,000	--	--	--	(1,105,000)	--
Net Tours & Travels LLC (NT)	44.3%	3,063,290	--	--	--	(3,063,290)	--
Careem Inc. (CIL)	20%	87,940,913	--	(27,391,017)	--	--	60,549,896
Saudi Heritage Hospitality Company (SHHC)	20%	12,750,000	--	(1,391,398)	--	--	11,358,602
Equinox Group Limited (EGL)	40%	9,328,471	3,715,161	1,074,982	--	--	14,118,614
Thakher Investment and Real Estate Co. (TIREC) *	30%	--	823,047,223	(3,976,559)	--	--	819,070,664
Wadi Middle East S.A.R.L. (WME) **	33.3%	--	122,768,680	(20,768,934)	--	--	101,999,746
Equinox Ventures Ltd. (EVL) ***	40%	--	10,000,000	(1,663,776)	--	--	8,336,224
Radius Global Travel Company (RGTC) ****	26%	--	11,192,387	--	--	--	11,192,387
		149,574,221	970,723,451	(53,074,910)	(1,774,257)	(6,432,669)	1,059,015,836

* On 4 January 2016, the Group signed a conditional purchase agreement to acquire 30% of the share capital of Thakher Investment and Real Estate Company (TIREC) for a consideration of SR 804 million and an amount of SR 19.2 million represented finance to associates paid during 2016. The consideration was paid through issuance of new shares in the Company. On 10 March 2016, the general assembly meeting of Shareholders approved to issue 9,650,000 new ordinary shares at the price of SR 83.3 per share to acquire 30% of the share capital of Thakher Investment and Real Estate Company (TIREC). TIREC is engaged in the development and operation of residential and commercial buildings in Makkah area.

** On 21 March 2016, the Group has been signed an agreement for acquisition of share of 33.3% of Wadi Middle East (WME) for a consideration of SR 122,768,680. Company's share of the loss for the year amounted to SR 20,768,934.

*** On June 27, 2016, the Group has been signed an agreement for acquisition of share of 40% of Equinox Ventures Ltd. (EVL) for a consideration of SR 10,000,000. Company's share of the loss for the year amounted to SR 1,663,776.

**** The investment in associate, Radius Global Travel Company (RGTC), resulted from the acquisition made by the subsidiary (Mawasim Limited) of the Portman Group International (see note 11-1). This investment sold in subsequent period (see note 32).

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9. INVESTMENT PROPERTIES, NET

	2016						2015
	<u>Land</u>	<u>Buildings</u>	<u>Furniture & fixtures</u>	<u>Electrical equipment</u>	<u>Hotel facilities</u>	<u>Total</u>	<u>Total</u>
<u>Cost:</u>							
At 1 January	211,425,500	221,639,744	11,111,777	243,797	4,464,012	448,884,830	448,884,830
From capital work in progress	119,468,000	239,575,809	2,727,023	58,899	582,995	362,412,726	--
At 31 December	<u>330,893,500</u>	<u>461,215,553</u>	<u>13,838,800</u>	<u>302,696</u>	<u>5,047,007</u>	811,297,556	448,884,830
<u>Accumulated depreciation:</u>							
At 1 January	--	24,307,516	5,464,691	88,020	3,029,578	32,889,805	17,603,590
Charge for the year	--	18,431,409	1,796,686	48,759	575,738	20,852,592	15,286,215
At 31 December	<u>--</u>	<u>42,738,925</u>	<u>7,261,377</u>	<u>136,779</u>	<u>3,605,316</u>	53,742,397	32,889,805
<u>Net book value at</u>							
31 December	<u>330,893,500</u>	<u>418,476,628</u>	<u>6,577,423</u>	<u>165,917</u>	<u>1,441,691</u>	<u>757,555,159</u>	
31 December	<u>211,425,500</u>	<u>197,332,228</u>	<u>5,647,086</u>	<u>155,777</u>	<u>1,434,434</u>		<u>415,995,025</u>

10. AVAILABLE FOR SALE INVESTMENTS

	2016	2015
Al Wafeer Air (AWA)		
- Cost	27,272,715	27,272,715
- Impairment losses	(27,272,715)	(27,272,715)
	<u>--</u>	<u>--</u>
Saudi Ground Services Company (SGS)		
- Cost	3,524,949	3,524,949
- Disposal	(3,524,949)	--
	<u>--</u>	<u>3,524,949</u>
Taif Investments and Tourism Company (TITC)	1,000,000	1,000,000
	<u>1,000,000</u>	<u>4,524,949</u>

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11. INTANGIBLE ASSETS, NET

		2016	2015
Goodwill	(i)	151,835,582	233,018,093
Other intangibles	(ii)	50,918,088	57,341,580
		202,753,670	290,359,673

i. 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:

	2016	2015
National Travel and Tourism Bureau Limited	6,212,311	6,212,311
Al Sarh Travel and Tourism Limited	11,600,000	11,600,000
E Al Tayyar Tours Company *	26,297,274	26,297,274
Al Tayyar Rent a Car Company *	13,390,372	13,390,372
E Al Tayyar Tourism Company *	13,805,118	13,805,118
Nile Holidays Tourism Company *	13,603,448	13,603,448
Lena Tours and Travel *	2,718,479	2,718,479
Al Tayyar Rent A Car *	44,500,000	44,500,000
Al Musaffir Magazine	1,426,644	1,426,644
Al Mousim Travel and Tours	13,750,000	13,750,000
Jawlah Tours Establishment for Tourism	1,578,247	1,578,247
Al Mawasim Tourism and Umrah Services	21,235,000	21,235,000
Al Jazirah Travel	--	2,014,001
Elegant Resorts Limited	37,517,662	37,517,662
Al Hanove Tourism and Services Company	36,156,624	36,156,624
Co-op Group Travel 1 Limited	11,652,929	11,652,929
Connecting Trade & Services *	7,569,646	7,569,646
Fayfa Travel & Tours *	16,846,286	16,846,286
Hanay Trading Company Limited *	7,735,409	7,735,409
Mosafer Company for Travel and Tourism	18,434,785	18,434,785
Calculus Technologies LLC	4,868,970	--
	310,899,204	308,044,235
Foreign currency translation	(12,597,591)	(5,211,451)
Total	298,301,613	302,832,784
Impairment losses *	(146,466,031)	(69,814,691)
Net	151,835,582	233,018,093

* As a result of adverse events impacting the tourism sector, during the year 2016, management have reviewed the carrying value of subsidiaries considering the current and expected trading levels. As a result, an impairment of SR44.5 million, SR 16.8 million, SR 7.7 million and SR 7.6 million has been recognized for Al Tayyar Rent A Car, Fayfa Travel & Tours, Hanay Trading Co. Ltd. and Connecting Trade & Services respectively. Lena Tours and Travel and Egypt subsidiaries goodwill had been impaired by an amount of SR 2.7 million and SR 67 million respectively.

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.

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11. INTANGIBLE ASSETS, NET (Continued)

1. Current year acquisitions:

The following acquisition made by the Group during 2016. The impact of these newly acquired subsidiary has been incorporated in the current year consolidated statement of cash flows. The non cash impact of the separate assets and liabilities acquired is adjusted for on a line by line basis.

Portman Group International S.A.R.L. (PGI)

On 1 November 2016, the subsidiary (Mawasim Limited) acquired a 100% shareholding of PGI in the Uk country for a consideration of SR 5, following is the results of acquisition:

	Initial Fair Value Recognized on Acquisition
<u>Assets</u>	
Property and equipment	3,141,114
Intangible assets	8,049,055
Investments in associates	11,192,388
Trade receivables	66,686,453
Advances, prepayments and other receivables	6,119,913
Cash and cash equivalents	15,695,194
	<u>110,884,117</u>
<u>Liabilities</u>	
Accrued expenses and other current liabilities	(21,650,612)
Trade payables	(58,284,022)
Employees' end of service benefits	(20,829,506)
	<u>(100,764,140)</u>
Initial fair value of the identifiable net assets	10,119,977
Negative goodwill	<u>(10,119,972)</u>
Purchase consideration transferred	<u>5</u>
<u>Cash outflow on acquisition</u>	
Net cash acquired with the subsidiaries	15,695,194
Cash paid	<u>(5)</u>
Net cash inflow	<u>15,695,189</u>

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11. INTANGIBLE ASSETS, NET (Continued)

ii. *Other intangibles*

	2016				2015
	<u>Software</u>	<u>Brand name</u>	<u>Customer list</u>	<u>Total</u>	<u>Total</u>
<u>Cost:</u>					
At 1 January	23,517,547	24,023,299	22,304,896	69,845,742	59,102,457
Acquisition through business combination	--	8,049,055	--	8,049,055	13,840
Foreign currency translation difference	(1,560,929)	(4,036,463)	(3,747,732)	(9,345,124)	(2,750,523)
Additions during the year	1,694,347	--	--	1,694,347	13,479,968
Disposals during the year	(4,943,680)	--	--	(4,943,680)	--
At 31 December	18,707,285	28,035,891	18,557,164	65,300,340	69,845,742
<u>Accumulated amortisation:</u>					
At 1 January	5,926,823	3,431,654	3,145,685	12,504,162	5,069,861
Foreign currency translation difference	(1,227,596)	(576,597)	(528,547)	(2,332,740)	(494,352)
Charge for the year	3,022,897	999,342	1,855,716	5,877,955	7,928,653
Disposals for the year	(1,667,125)	--	--	(1,667,125)	--
At 31 December	6,054,999	3,854,399	4,472,854	14,382,252	12,504,162
<u>Net book value at</u>					
31 December	12,652,286	24,181,492	14,084,310	50,918,088	
31 December	17,590,724	20,591,645	19,159,211		57,341,580

Amortisation charge for the year has been allocated as follows:

	2016	2015
Amortisation charged to selling and marketing expenses (note 25)	2,351,182	3,171,461
Amortisation charged to general & administrative expenses (note 26)	3,526,773	4,757,192
Total	5,877,955	7,928,653

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12. PROPERTY AND EQUIPMENT, NET

	2016									2015
	<u>Land & buildings</u>	<u>Safes, decorations & furniture & fixtures</u>	<u>Computers & office Equipment</u>	<u>Vehicles</u>	<u>Air conditioners</u>	<u>Telecom & security systems</u>	<u>Tools & Hardware</u>	<u>Aircrafts</u>	<u>Total</u>	<u>Total</u>
Cost:										
At 1 January	732,804,034	101,811,415	40,280,955	210,613,106	8,151,601	9,158,290	28,144,027	101,285,428	1,232,248,856	1,100,065,157
Foreign currency translation difference	(16,522,313)	(4,158,388)	(1,382,719)	(35,118,442)	(273,008)	(467,262)	(102,208)	--	(58,024,340)	(10,796,461)
Acquisition through business combination	--	1,040,808	2,155,126	--	--	--	50,000	--	3,245,934	18,349,661
From capital work in progress	217,111,330	28,006,331	2,009,221	--	20,854,600	8,707,422	12,555,768	--	289,244,672	5,249,909
To capital work in progress	--	(7,453,278)	--	--	(30,998)	--	(3,196,659)	--	(10,680,935)	--
Additions during the year	11,600,267	13,525,441	21,227,329	117,956,116	250,058	1,654,086	1,295,835	--	167,509,132	186,182,682
Disposals during the year	(5,227,912)	(5,929,044)	(1,193,560)	(91,722,132)	(1,006,051)	(101,118)	(12,932,479)	--	(118,112,296)	(66,802,092)
At 31 December	939,765,406	126,843,285	63,096,352	201,728,648	27,946,202	18,951,418	25,814,284	101,285,428	1,505,431,023	1,232,248,856
Accumulated depreciation:										
At January	37,380,984	54,970,647	27,529,153	59,391,684	5,029,144	4,558,279	5,751,637	13,926,746	208,538,274	188,037,705
Foreign currency translation difference	(378,839)	(2,093,823)	(847,132)	(7,831,576)	(138,436)	(286,542)	(68,096)	--	(11,644,444)	(1,918,262)
Charge for the year	5,331,614	9,256,314	4,948,576	42,253,681	1,231,722	1,439,954	803,354	7,596,407	72,861,622	68,274,891
Disposals during the year	--	(5,061,707)	(980,038)	(47,829,798)	(669,423)	(98,031)	(1,614)	--	(54,640,611)	(45,856,060)
At 31 December	42,333,759	57,071,431	30,650,559	45,983,991	5,453,007	5,613,660	6,485,281	21,523,153	215,114,841	208,538,274
Net book value at										
31 December	897,431,647	69,771,854	32,445,793	155,744,657	22,493,195	13,337,758	19,329,003	79,762,275	1,290,316,182	
31 December	695,423,050	46,840,768	12,751,802	151,221,422	3,122,457	4,600,011	22,392,390	87,358,682		1,023,710,582

Land and buildings include lands amounting to SR 769 million (2015: SR 800 million) which is not depreciated. Included within the vehicles caption is a net book value amount of SR 148 million (2015: SR 137 million) in respect of vehicles used in the car rental business to customers.

Depreciation charge for the year has been allocated as follows:

	2016	2015
Depreciation charged to cost of revenue	43,487,603	37,214,891
Depreciation charged to selling and marketing expenses (note 25)	11,749,608	12,424,000
Depreciation charged to general & administrative expenses (note 26)	17,624,411	18,636,000
Total	72,861,622	68,274,891

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13. ASSETS HELD FOR SALE

Assets held for sale represent 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. Additionally, certain land parcels are still under the process of being transferred into the name of MREIC which is expected to be completed during 2017.

14. CAPITAL WORK IN PROGRESS

		2015	Additions	Transfer from	Transfer to	2016
MREIC	(a)	628,796,538	49,421,438	10,680,935	(362,412,725)	326,486,186
Others:						
- New head office building	(b)	53,877,692	16,956,298	--	(4,830,975)	66,003,015
- Hotel building	(c)	34,496,059	24,348,701	--	--	58,844,760
- Staff accommodation building		8,485,687	314,196	--	(8,799,883)	--
- Makkah Hotel	(d)	1,789,947,667	101,507,576	--	--	1,891,455,243
- Jeddah Hotel		260,000,000	15,613,813	--	(275,613,813)	--
- SAP accounting software	(e)	--	14,954,206	--	--	14,954,206
		<u>2,775,603,643</u>	<u>223,116,228</u>	<u>10,680,935</u>	<u>(651,657,396)</u>	<u>2,357,743,410</u>

- (a) MREIC capital work in progress totals SR 686 million as at 31 December 2016, reflecting the land acquisition and hotel development costs to date for projects in Makkah. During December 2016, projects totaling SR 362.4 million have been completed and transferred to property and equipment. Additionally, certain land parcels are still under the process of being transferred into the name of MREIC which is expected to be completed during 2017.
- (b) New head office building construction is estimated to cost SR 76.9 million and is expected to be completed during 2017.
- (c) Hotel building construction is estimated to cost SR 167 million and is expected to be completed during 2017.
- (d) The Company has bought the Kenzi hotel in Makkah amounting to SR 1.5 billion in February 2015. This has been primarily financed through obtaining a long term loan. During the year, facility arrangement and finance costs of SR 99.3 million is capitalised to capital work in progress as at December 31, 2016. The refurbishment is expected to be completed during 2017 (also see note 19).
- (e) SAP accounting software is estimated to cost SAR 45 million and is expected to be completed during 2018.

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15. BANK OVERDRAFTS

	<u>2016</u>	<u>2015</u>
Tawarruq	7,910,145	8,006,981
Murabaha	44,488	--
Other overdrafts *	1,881,629	2,817,124
	<u>9,836,262</u>	<u>10,824,105</u>

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

16. SHORT TERM DEBTS

	<u>2016</u>	<u>2015</u>
Short term bank debts (Murabaha)	131,344,111	38,144,000
Short term bank debts (Tawarruq)	79,998,400	155,000,000
Short term bank debts – others	5,200,161	5,200,161
	<u>216,542,672</u>	<u>198,344,161</u>

The Parent has obtained these short term loan facilities from local banks under normal commercial terms.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>2016</u>	<u>2015</u>
Advances from customers	438,417,409	1,053,169,180
Hotels sub-contractor cost	17,394,474	119,050,956
Employees social security and welfare fund	88,054,182	78,806,340
Non trade payables	68,900,908	55,385,762
Salaries and benefits	55,103,025	50,617,216
Charities	35,419,269	36,607,176
Tickets under settlement	--	13,822,237
Unearned revenue and commission	10,959,949	9,525,265
Rents and utilities	2,432,466	2,472,247
Loan commission payable	4,522,800	208,646
Others	18,020,052	11,189,089
	<u>739,224,534</u>	<u>1,430,854,114</u>

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18. ZAKAT AND INCOME TAX PROVISION

a. Charge for the year

Zakat charge comprises the following:

	<u>2016</u>	<u>2015</u>
Zakat for the Company and Saudi based subsidiaries	26,628,520	34,462,703
Income tax for the overseas subsidiaries	3,371,865	1,563,707
Total	<u>30,000,385</u>	<u>36,026,410</u>

b. Zakat components

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

	<u>2016</u>	<u>2015</u>
Capital	2,096,500,000	1,500,000,000
Adjusted net income year	886,835,032	1,232,310,021
Adjusted equity and provision at beginning of year	4,479,618,513	3,155,521,563
Deduction for property and equipment and Capital work in progress	(4,007,806,689)	(4,550,056,347)
Deduction for investment	(139,990,874)	(29,524,949)
Deduction for intangible assets	(213,946,057)	(290,359,573)

c. Accrued Zakat and Income Tax

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

	<u>2016</u>	<u>2015</u>
At the beginning of the year	48,747,350	43,300,067
Charges for the year	30,000,385	36,026,410
Payments during the year	(35,289,485)	(30,579,127)
At the end of the year	<u>43,458,250</u>	<u>48,747,350</u>

d. Status of Assessments

Zakat assessments for the Company have been finalized with the Department of Zakat and Income Tax (DZIT) and final Zakat certificates obtained for the years up to 2007. The Company has submitted the Zakat returns for all the years up to 2015.

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

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19. LONG TERM LOAN

Long-term borrowings at 31 December represent the following:

	2016	2015
At the beginning of the year	1,249,489,255	--
Addition during the year	42,233,724	1,270,302,872
Repayment during the year	(430,722,979)	(20,813,617)
At the end of the year	861,000,000	1,249,489,255
Current portion	--	142,583,316
Non-current portion	861,000,000	1,106,905,939

During February 2015, the Group obtained a long term loan (Tawarruq) from a local commercial bank totalling SR 1.23 billion for financing the acquisition of a hotel in Makkah (see note 13d). 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 Kenzi hotel in Makkah. During 2015, facility arrangement and finance costs of SR 99.3 million is capitalised to capital work in progress as at December 31, 2016.

On November 28, 2016(G), the company has been made early payments for certain instalments of the above loan, which due for the two years 2017 and 2018 with an amount of SR 246 million; accordingly, current liabilities not included instalments due to one year.

20. DIVIDENDS

No dividends have been declared or paid during 2016.

21. STATUTORY RESERVE

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

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

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22. NON-CONTROLLING INTEREST

	<u>Company</u>	<u>% Interest</u>	<u>2016</u>	<u>2015</u>
Majid Al Nafai	MWT	49	15,961,154	12,795,726
Mohaideb Ali Al Mohaideb	ASTT	20	9,120,958	6,430,308
Asref Al Sayed	AHTS	30	5,527,294	4,736,887
Abdullah Al Ajlani	HTCL	20	(794,307)	2,865,339
Mosafer Company for Travel and Tourism	MCT	40	2,905,741	2,588,753
B2B Travel Group S.L.	B2B	20	--	1,956,591
Fahad Hader Alarifi	AJT	30	--	1,049,270
Saud Bin Muzakhir Nafai	SCT	10	--	740,614
Saud Al Harbi	JTET	49	151,069	348,618
Hassan A. Sokkery	FIT	40	329,950	343,852
Ahmed Al Tigani Ahmed	ATS	25	331,688	324,890
Jean Abboud	CTS	49	402,861	297,455
			<u>33,936,408</u>	<u>34,478,303</u>

23. REVENUE, NET

	<u>2016</u>	<u>2015</u>
Gross revenue	8,909,992,411	10,176,860,439
Refunds	(868,851,702)	(1,545,816,199)
	<u>8,041,140,709</u>	<u>8,631,044,240</u>

Air ticketing, travel and tours

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

	<u>2016</u>	<u>2015</u>
Commission earned on sale of airline tickets, travel and tours	<u>1,412,659,158</u>	<u>1,713,758,889</u>

24. COST OF REVENUE, NET

	<u>2016</u>	<u>2015</u>
Cost of revenue	7,420,825,830	8,376,526,770
Refunds	(868,851,702)	(1,545,816,199)
	<u>6,551,974,128</u>	<u>6,830,710,571</u>

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25. SELLING AND MARKETING EXPENSES

	<u>2016</u>	<u>2015</u>
Employee costs	138,177,641	131,325,100
Sales commission and incentives	38,941,877	42,696,861
Advertising	28,871,723	42,634,939
Rentals	44,624,028	38,879,750
Depreciation (note 12)	11,749,608	12,424,000
Provision for doubtful receivables and write off for due from related parties	7,658,466	6,262,906
Amortization (note 11ii)	2,351,182	3,171,461
	<u>272,374,525</u>	<u>277,395,017</u>

26. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2016</u>	<u>2015</u>
Employee costs	238,517,627	240,974,216
Depreciation (note 12)	17,624,411	18,636,000
Consultancy	24,002,340	27,077,152
Insurance	21,977,785	22,391,709
Communication	20,071,857	18,196,705
Charities and donations	10,500,000	17,829,238
Contribution for employees social security and welfare fund	7,403,295	11,807,493
Information technology	16,484,446	9,130,669
Travel	9,439,151	9,036,657
Repairs and maintenance	5,073,814	8,222,776
Stationery	8,781,116	8,173,553
Utilities	7,615,306	4,757,556
Amortisation (note 11ii)	3,526,773	4,757,192
Entertainment expenses	1,376,111	1,759,098
Vehicles maintenance	1,398,625	1,366,156
Other expenses	2,670,771	10,889,385
	<u>396,463,428</u>	<u>415,005,555</u>

27. EARNINGS PER SHARE

Earnings / (loss) per share from operating income, other (expense) / income and net income for the current year has been calculated by using the weighted average number of ordinary shares outstanding as at 31 December 2016 of 207.2 million shares (31 December 2015: 200 million shares).

28. SEGMENT REPORTING

The Group comprises the following main business segments:

- Air Ticketing, Travel & Tours
- Cargo
- Transportation and other

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28. SEGMENT REPORTING (Continued)

The revenue and gross profit by segment is shown below:

	<u>2016</u>	<u>2015</u>
<u>Revenue</u>		
Air Ticketing, Travel & Tours	7,456,552,458	8,145,883,113
Cargo	165,098,840	159,852,195
Transportation and other	419,489,411	325,308,932
	<u>8,041,140,709</u>	<u>8,631,044,240</u>
	<u>2016</u>	<u>2015</u>
<u>Gross Profit</u>		
Air Ticketing, Travel & Tours	1,412,659,158	1,713,758,889
Cargo	17,615,336	15,224,471
Transportation and other	58,892,087	71,350,309
	<u>1,489,166,581</u>	<u>1,800,333,669</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 32% of the revenue for the year is generated from one governmental entity (2015: 30%). 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 other new hotels in February and December 2015 (see note 13). As at 31 December 2016, 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 13 and 19).

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

	<u>As at and for the year ended 31 December 2016</u>				
	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	<u>Other entities / Consolidation Adjustments</u>	<u>Total</u>
Revenues	2,403,199,195	2,090,277,617	33,675,725	3,513,988,172	8,041,140,709
Gross profit	546,958,469	655,233,911	15,121,660	271,852,541	1,489,166,581
Depreciation	6,920,251	4,883,031	18,749,822	63,161,110	93,714,214
Total Assets	3,150,508,473	3,529,666,166	1,374,324,891	1,321,566,066	9,376,065,596
Total Liabilities	382,975,413	1,543,931,119	520,172,793	1,385,089,484	3,832,168,809

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28. SEGMENT REPORTING (Continued)

As at and for the year ended 31 December 2015					
	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	Other entities / Consolidation <u>Adjustments</u>	<u>Total</u>
Revenues	3,788,461,001	2,020,346,104	28,740,018	2,793,497,117	8,631,044,240
Gross profit	1,043,235,257	452,977,275	16,076,193	288,044,944	1,800,333,669
Depreciation	8,070,715	4,849,410	12,883,856	57,757,125	83,561,106
Total Assets	3,736,259,565	2,596,172,092	1,329,136,584	759,860,834	8,421,429,075
Total Liabilities	1,229,822,752	1,239,896,719	471,859,340	1,474,044,431	4,415,623,242

Geographical Segments

The Group mainly operates in the geographical areas including Kingdom of Saudi Arabia, Sudan, India, Spain, 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 and the United Kingdom.

	As at and for the year ended			
	<u>KSA</u>		<u>UK</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue	6,484,200,963	7,363,784,050	1,293,958,813	946,221,836
Gross profit	1,356,746,327	1,675,689,806	97,714,572	85,395,528
Depreciation	88,628,703	74,709,950	1,535,765	1,440,423
Total Assets	8,544,970,873	7,784,469,878	450,617,154	311,836,435
Total Liabilities	3,002,178,725	3,816,589,472	431,343,986	313,133,019

29. OPERATING LEASES

The Group has various operating leases for office space, warehouse, retail outlets and employees' accommodations. The leases are for an initial period with options to renew the leases after expiry of the initial lease periods. Lease payments are either fixed or increase annually to reflect market rentals. Rental expenses for the year ended 31 December 2016 amounted to SR 44.6 million (2015: SR 38.9 million).

30. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has capital commitments as at 31 December 2016 of SR 176 million (2015: SR 291 million) principally in respect of MREIC / other hotel developments and construction of new office premises.

The Group has letter of guarantees as at 31 December 2016, totaling SR 290 million (2015: SR 304 million) issued by the Company's banks in favor of certain suppliers. Included within this are advances for letter of guarantee margins totalling SR 23.7 million (2015: SR 76.8 million) - see note 7.

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31. FINANCIAL INSTRUMENTS

Financial instruments carried in the statement of financial position include cash and cash equivalents, trade and other receivables, investments, short-term borrowings, trade payables, other liabilities and long-term debt.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks with a large proportion of its debtors being governmental entities in the Kingdom of Saudi Arabia. As of 31 December 2016, two customers (2015: two) accounted for 48% (2015: 8%) of the gross trade receivables. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade and other receivables are mainly due from local customers and related parties and are stated at their estimated realisable values.

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

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

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

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

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

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

The Group has limited exposure in the current exchange controls in Egypt as any surplus cash and profits are currently being reinvested in the business.

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

32. SUBSEQUENT EVENTS

On 10 January 2017, the shareholder of Careem Inc. (an investee company with 20%). decided to issue 17.4 million new class E shares with nil par value. Shareholder register of Careem Inc. was updated on 17 January 2017. Subsequent to the issuance of new class E shares the Group shareholding has been diluted from 20% to 14.7%.

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On 25 January 2017 Portman group international sold their associate share in Radius Global Travel Company for an amount of USD 2,850,000 (SR 10,687,500).

33. CURRENT MARKET CONDITIONS

The current year results may not be an accurate reflection of the results for future years due to any potential impact of the current local and global market and economic conditions.

34. COMPARATIVE FIGURES

Certain comparative figures are reclassified to conform current year classification.

35. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the board of directors of the Parent Company on 18 Jumada I' 1438H (corresponding to 15 February 2017).
