

**AL TAYYAR TRAVEL GROUP HOLDING
COMPANY AND ITS SUBSIDIARIES**
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD AND THE
YEAR ENDED 31, DECEMBER 2016
TOGETHER WITH REVIEW REPORT**

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

INDEX TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period and the year ended 31 December 2016

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

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

Riyadh, Kingdom of Saudi Arabia

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of **Al Tayyar Travel Group Holding Company** and its subsidiaries ("the Group") as at 31 December 2016, the related interim consolidated statements of income for the three month and the year then ended, cash flows and changes in equity for the year then ended and the attached notes from (1) to (16) which form an integral part of these interim consolidated financial statements. These interim 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 consolidated financial statements based on our review.

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

Conclusion

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

For Dr. Mohamed Al-Amri & Co.,



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Rabi Al-Thani 21, 1438 H
January 19, 2017 G

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
(Saudi Riyals)

	<i>Notes</i>	31 December 2016	31 December 2015 (Audited)
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		1,249,531,766	2,008,773,003
Trade receivables, net		1,535,955,469	732,312,383
Due from related parties		38,033,271	12,465,096
Advances, prepayments and other receivables		524,413,736	648,363,403
Total current assets		3,347,934,242	3,401,913,885
Non-current assets			
Investments in associates	1,4	1,059,015,836	149,574,221
Investment properties		757,555,159	415,995,025
Available for sale investments		1,000,000	4,524,949
Intangible assets, net	5	202,753,670	290,359,673
Property and equipment, net		1,290,316,182	1,023,710,582
Assets held for sale	6	359,747,097	359,747,097
Capital work in progress	7	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
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Bank overdrafts	8	9,836,262	10,824,105
Short term debts	9	216,542,672	198,344,161
Current portion of long term loan	11	--	142,583,316
Trade payables		1,526,315,939	1,005,841,769
Accrued expenses and other liabilities	10	739,224,534	1,430,854,114
Provisions		25,000,000	25,000,000
Due to related parties	7	324,377,669	372,947,040
Zakat and income tax provision		43,458,250	48,747,350
Total current liabilities		2,884,755,326	3,235,141,855
Non-current liabilities			
Long term loan	11	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
<u>EQUITY</u>			
Shareholders' equity:			
Share capital	1	2,096,500,000	2,000,000,000
Share premium reserve	1	707,345,000	--
Statutory reserve		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		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 (16) form an integral part of these interim consolidated financial statements.

The financial statements on pages (1) to (15) were approved on behalf of the Shareholders by the Board of Directors on Rabi Al-Thani 21, 1438 H (corresponding to January 19, 2017) and signed on behalf of the Board by:

Yazeed Khalid Al Muhayzie
Board Member

Abdullah Nasser Al Dawood
Chief Executive Officer

Yousif Mousa Yousif
Group Chief Financial Officer

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(Saudi Riyals)

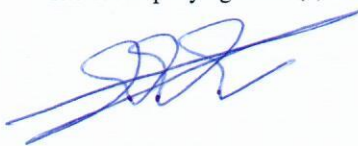
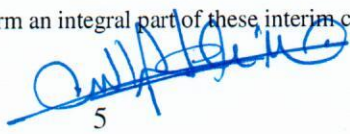
		For the three month ended 31 December		For the year ended 31 December	
		2016	2015	2016	2015 (Audited)
	<i>Notes</i>				
Revenue	12	2,036,021,853	2,184,768,330	8,041,140,709	8,631,044,240
Cost of revenue		(1,721,855,462)	(1,768,003,196)	(6,551,974,128)	(6,830,710,571)
Gross profit	12	314,166,391	416,765,134	1,489,166,581	1,800,333,669
Selling and marketing expenses		(86,140,386)	(74,366,528)	(272,374,525)	(277,395,017)
General and administrative expenses		(118,368,032)	(125,675,641)	(396,463,428)	(415,005,555)
Share of (loss) from investments in associates		(21,546,515)	(6,486,473)	(53,074,910)	(11,454,589)
Impairment loss of investments in associates		--	--	(6,432,669)	(30,000,000)
Impairment loss of intangible assets		--	(37,096,212)	(76,651,341)	(37,096,212)
Other operating income, net		57,605,497	54,012,159	191,631,974	173,232,850
Operating income		145,716,955	227,152,439	875,801,682	1,202,615,146
Gain / (loss) on disposal of property and equipment		879,315	471,121	(7,107,049)	4,524,597
Gain on disposal of available for sale investment		1,137,043	--	1,137,043	--
Finance income		932,140	6,172,204	30,410,178	16,165,784
Loss from disposal of subsidiaries		--	--	(4,619,592)	--
Gains from acquisition a subsidiary		10,119,972	--	10,119,972	--
Finance and bank charges		(13,367,735)	(7,453,874)	(46,291,742)	(18,512,519)
Other (expenses) / income, net		(299,265)	(810,549)	(16,351,190)	2,177,862
Income before Zakat, income tax and non-controlling interest		145,417,690	226,341,890	859,450,492	1,204,793,008
Zakat and income tax		(1,616,179)	(10,902,403)	(30,000,385)	(36,026,410)
Net income before non-controlling interest		143,801,511	215,439,487	829,450,107	1,168,766,598
Non-controlling interest		930,171	(179,782)	(3,204,579)	(7,210,497)
Net income for the period / year		144,731,682	215,259,705	826,245,528	1,161,556,101
Basic earnings per share					
Earnings per share from operating income	13	0.70	1.14	4.23	6.01
Earnings per share from other income / (expenses), net	13	(0.00)	(0.00)	(0.08)	0.01
Net income for the period / year	13	0.70	1.08	3.99	5.81

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

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(Saudi Riyals)

	For the year ended December 31	
	2016	2015
		(Audited)
Cash flows from operating activities		
Net income	826,245,528	1,161,556,101
Adjustments to reconcile net income to net cash (used in) from operating activities:		
Depreciation and amortisation	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	53,074,910	11,454,589
Impairment loss of investments in associates	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	76,651,341	37,096,212
Gain from acquisition a subsidiary	(10,119,972)	--
Provision for trade receivables	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	30,000,385	36,026,410
	1,114,572,586	1,395,402,343
(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)
	175,299,477	1,545,684,340
Surplus cash from operation		
Employees' end of service benefits paid	(22,438,964)	(10,573,773)
Zakat and income tax (paid)	(35,289,485)	(30,579,127)
	117,571,028	1,504,531,440
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	(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)
	(473,944,223)	(2,422,231,486)
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
	(371,820,482)	985,615,280
Net cash (used in) from financing activities		
Net change in cash and cash equivalents	(728,193,677)	67,915,234
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)
	1,249,531,766	2,008,773,003
Cash and cash equivalents at the end of the year		
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 (16) form an integral part of these interim consolidated financial statements


AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(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
For the year ended 31 December 2015 (Audited)									
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	--	--	--	--	(368,301)	--	(368,301)	--	(368,301)
Translation adjustment for foreign operations	--	--	--	(31,138,393)	--	--	(31,138,393)	--	(31,138,393)
Dividends paid non-controlling interest	--	--	--	--	--	--	--	(5,431,303)	(5,431,303)
At the end of the year	2,000,000,000	--	535,860,943	(49,858,357)	(368,301)	1,485,693,245	3,971,327,530	34,478,303	4,005,805,833
For the year ended 31 December 2016									
At the beginning of the year	2,000,000,000	--	535,860,943	(49,858,357)	(368,301)	1,485,693,245	3,971,327,530	34,478,303	4,005,805,833
Increase in capital	96,500,000	707,345,000	--	--	--	--	803,845,000	--	803,845,000
Net income for the period	--	--	--	--	--	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	--	--	--	--	1,505,344	--	1,505,344	--	1,505,344
Disposal of available for sale investment	--	--	--	--	(1,137,043)	--	(1,137,043)	--	(1,137,043)
Dividends paid non-controlling interest	--	--	--	--	--	--	--	(2,165,154)	(2,165,154)
Translation adjustment for foreign operations	--	--	--	(91,825,980)	--	--	(91,825,980)	--	(91,825,980)
At the end of the year	2,096,500,000	707,345,000	618,485,496	(141,684,337)	--	2,229,314,220	5,509,960,379	33,936,408	5,543,896,787

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

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended 31 December 2016

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').

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

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.

The Company's registered address is:

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

These interim 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>December 2016</u>	<u>2015</u>	
National Travel and Tourism Bureau Limited (NTTB)	KSA	100%	100%	31 December
Al Sarh Travel and Tourism Limited (ASTT)	KSA	80%	80%	31 December
Al Tayyar International Air Transportation Agency Company Limited (ATI)	KSA	100%	100%	31 December
Al Tayyar Holiday for Travel and Tourism Company Limited (ATH)	KSA	100%	100%	31 December
Al Tayyar Travel, Tourism and Cargo Company Limited (ATC)	KSA	100%	100%	31 December
Al Tayyar Holidays Travel Group Company (ATE)	Egypt	100%	100%	31 December
Al Tayyar Cargo and Custom Clearance Company (ATCC)	Egypt	100%	100%	31 December
E Al Tayyar Tourism Company (ATT)	Egypt	100%	100%	31 December
E Al Tayyar Tours Company (ALC)	Egypt	100%	100%	31 December
Nile Holidays Tourism Company (NALC)	Egypt	100%	100%	31 December
Al Tayyar Rent A Car Company (ARC)	Egypt	100%	100%	31 December
Lena Tours and Travel (LTT)	Lebanon	100%	100%	31 December
Belantara Holidays SDN. BHD (BHSB)	Malaysia	100%	100%	31 December
Fuego Travel & Tours SDN. BHD (FTTSB)	Malaysia	80%	80%	31 December
Al Tayyar International Company Limited (ATS)	Sudan	75%	75%	31 December
Al Tayyar Travel and Tourism (ATD)	UAE	100%	100%	31 December
Taqniatech Company for Communication Technology Limited (TAQ)	KSA	100%	100%	31 December
Al Tayyar Real Estate, Tourism Development and Investment Company Hotels (ARE)	KSA	100%	100%	31 December
Al Tayyar Insurance Broker Company Limited (INS)	KSA	-	100%	31 December
Al Tayyar Rent A Car (ARAC)	KSA	100%	100%	31 December
Al Musaffir Magazine (AMM)	KSA	100%	100%	31 December
High Speed Company for Transportation (HSC)	KSA	100%	100%	31 December
Al Mousim Travel and Tours (AMTT)	KSA	100%	100%	31 December
Jawlah Tours Establishment for Tourism (JTET)	KSA	51%	51%	31 December
Al Jazirah Travel	KSA	-	70%	31 December

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended 31 December 2016

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>December</u>		
		<u>2016</u>	<u>2015</u>	
Al Mawasim Tourism and Umrah Services (MWT)	KSA	51%	51%	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 (ANPJ)	KSA	100%	100%	31 December
Al Hanove Tourism and Services Company (AHTS)	Egypt	70%	70%	31 December
Mawasem Limited (formerly Co-op Group Travel 1 Limited (CTM))	UK	100%	100%	31 December
Connecting Trade & Services (CTS)	Lebanon	51%	51%	31 December
Fayfa Travel & Tourism Agency Company (FTT)	KSA	100%	100%	31 December
Saudi Conference & Incentive Tours Company (SCI)	KSA	100%	100%	31 December
Calculus Technologies LLC (CTL)	Oman	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

* SCT – is a limited liability company registered in Saudi Arabia under Registration No. 1010079694. SCT is engaged in rent a car business. This is an entity in which ATG has invested SAR 7 million.

* MCT – is a limited liability company registered in Saudi Arabia under Registration No. 1010363465. MCT is engaged in the sale of holiday packages (see note 5a).

* 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.

The interim 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>31 December</u>		
		<u>2016</u>	<u>2015</u>	
Felix Airways Limited (FAL)	Yemen	30%	30%	31 December
Al-Shamel Int'l. Holding Company K.S.C (ASI)	Kuwait	30%	30%	31 December
Voyage Amro Travel (VAT)	Canada	49%	49%	31 December
Al Tayyar Travel & Tourism Abu Dhabi (TTAD)	UAE	49%	49%	31 December
Taqniatech Company for Communication Technology JV (TAQJV) (a)	KSA	70%	70%	31 December
2Share United Technology (TSET)	KSA	35%	35%	31 December
Net Tours (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) (b)	KSA	30%	--	31 December
Wadi Middle East S.A.R.L. (WME) (c)	LUX	33.3%	--	31 December
Equinox Ventures Ltd. (EVL)	UAE	40%	--	31 December
Radius Global Travel Company (d)	USA	26%	--	31 December

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended 31 December 2016

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

- a) There is a significant influence but no control over the joint venture financial and operating policies.
- b) During 2016, ATG acquired a 30% stake in TIREC for SR 823 million.
- c) Wadi Middle East S.A.R.L (WME), 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.
- d) Radius Global Travel Company 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.

<u>Available for sale investments</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>31 December</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

2. BASIS OF PREPARATION

(a) *Statement of compliance*

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

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgements*

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

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

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

- Trade receivables
- Property and equipment
- Intangible assets

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the year ended 31 December 2016***(Saudi Riyals)***2. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)**

- Provision for trade receivables
- Impairment of intangible assets
- Impairment of property and equipment
- Assets Held for sale
- Provisions

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015.

The interim consolidated financial statements should be read together with the consolidated financial statements of the Group for the year ended 31 December 2015, where all the significant accounting policies are shown in detail.

4. <u>INVESTMENTS IN ASSOCIATES</u>	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u> (Audited)
Al-Shamel Int'l, Holding Company K,S,C (ASI)	25,525,726	25,825,067
Voyage Amro Travel (VAT)	6,863,977	7,297,101
Al Tayyar Travel & Tourism Abu Dhabi (TTAD)	--	512,269
Taqniatech Company for Communication Technology JV (TAQJV)	--	1,752,110
2share United Technology (TSET)	--	1,105,000
Net Tours (NT)	--	3,063,290
Careem INC, (CIL)	60,549,896	87,940,913
Saudi Heritage Hospitality Company (SHHC)	11,358,602	12,750,000
Equinox Group Limited (EGL)	14,118,614	9,328,471
Thakher Investment and Real Estate Co, (TIREC)	819,070,664	--
Wadi Middle East S.A.R.L. (WME)	101,999,746	--
Equinox Ventures Ltd.	8,336,224	--
Radius Global Travel Company	11,192,387	--
	<u>1,059,015,836</u>	<u>149,574,221</u>

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. 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 amounting to SR 20,768,934.

5. <u>INTANGIBLE ASSETS, NET</u>	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u> (Audited)
Goodwill	151,835,582	233,018,093
Brand name	24,181,492	20,591,645
Customer list	14,084,309	19,159,211
Software	12,652,287	17,590,724
	<u>202,753,670</u>	<u>290,359,673</u>

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

	31 December 2016	31 December 2015 <i>(Audited)</i>
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 of intangible assets *	(146,466,031)	(69,814,691)
	151,835,582	233,018,093

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.

* 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.

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6. ASSETS HELD FOR SALE

Assets held for sales 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.

7. CAPITAL WORK IN PROGRESS

During February 2015, the Company has been purchased a hotel in Makkah amounting to SR 1.5 billion. This has been financed through obtaining a long term loan. Facility arrangement and finance costs of SR 99.3 million is capitalised to capital work in progress till 31 December 2016.

Currently, the above hotel is under complete refurbishment, therefore have been recorded in capital work in progress. Completion of the refurbishments is expected during 2017.

Certain land parcels of Beer Balela and Shaob Amer are currently under the process of being transferred into the name of the subsidiary (Muthmerah Real Estate Investment Company (MREIC)) which is expected to be completed during 2017.

	31 December 2016	31 December 2015
8. <u>BANK OVERDRAFTS</u>		<u>(Audited)</u>
Tawarruq	7,910,145	8,006,981
Murabaha	44,488	--
Other overdrafts *	1,881,629	2,817,124
	9,836,262	10,824,105

* These overdrafts relate to Group's foreign subsidiaries and are in process of being repaid during the year 2017.

	31 December 2016	31 December 2015
9. <u>SHORT TERM DEBTS</u>		<u>(Audited)</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
	216,542,672	198,344,161

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the year ended 31 December 2016***(Saudi Riyals)***10. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities include advances from certain government customers. The balance of these advances as at 31 December 2016 totalled of SR 438 million (31 December 2015: SR 1.05 billion).

11. LONG TERM LOAN

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 (note 7). The facilities bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements. The loan is repayable in equal instalments over the period of 10 years and is secured against the hotel in Makkah. Facility arrangement and finance costs of SR 99.3 million is capitalised to capital work in progress till 31 December 2016. The following are the movement of the loans during the year ended:

	31 December 2016	31 December 2015 (Audited)
At the beginning of the year	1,249,489,255	--
Addition during the year	--	1,230,000,000
Repayment during the year	(430,722,979)	(20,813,617)
At the end of the year	818,766,276	1,209,186,383
Financing cost	42,233,724	40,302,872
Balance at the end of the period/year, net	861,000,000	1,249,489,255
Current portion	--	142,583,316
Non-current portion	861,000,000	1,106,905,939

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.

12. SEGMENT REPORTING

The Group comprises the following main business segments:

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

The revenue and gross profit by segment are shown below:

	For the year ended 31 December	
	2016	2015 (Audited)
Revenue		
Air Ticketing, Travel and 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
	8,041,140,709	8,631,044,240

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended 31 December 2016

(Saudi Riyals)

12. SEGMENT REPORTING (Continued)

	For the year ended 31 December	
	2016	2015 (Audited)
Gross profit		
Air Ticketing, Travel and 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
	1,489,166,581	1,800,333,669

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 gross revenue for the year is generated from one governmental entity (31 December 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 in progress following the acquisition of MREIC in 2013 and other new hotels in February and December 2015. 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 note 11).

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

	As at and for the year ended 31 December 2016				
	ATI	ATH	MREIC	Other entities/ consolidation adjustments	Total
Revenue	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

	As at and for the year ended 31 December 2015 (Audited)				
	ATI	ATH	MREIC	Other entities/ consolidation adjustments	Total
Revenue	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

Air ticketing, travel and tours

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

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	For the year ended 31 December	
	2016	2015
Net commission earned on sale of airline tickets, travel and tours	<u>1,412,659,158</u>	<u>1,713,758,889</u> <i>(Audited)</i>

Geographical Segments

The Group mainly operates in the geographical areas including Kingdom of Saudi Arabia, Sudan, Oman, 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			
	Kingdom of Saudi Arabia		United Kingdom	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
		<i>(Audited)</i>		<i>(Audited)</i>
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

13. EARNINGS PER SHARE

Earnings / (loss) per share from operating income, other (expense) / income and net income for the current period / 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).

14. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

At 31 December 2016, the Group has letter of guarantees amounting to SR 290 million (31 December 2015: SR 304 million) issued by the Company's banks in favor of certain suppliers.

15. CURRENT YEAR RESULTS

The interim consolidated results for the year ended 31 December 2016 may not be an accurate indicator for the actual operating results for the whole year.

16. COMPARATIVE FIGURES

Certain comparative figures are reclassified to conform current year classification.