Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

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(A Saudi Joint Stock Company)

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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Dur Hospitality Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property and equipment	
At 31 December 2018, total property and equipment of the Group amounted to SR 1.9 billion, representing 65% of total assets. The Group's management, on an annual basis, reviews the carrying values of its property and equipment to assess whether there is an indication of impairment. If an indication exists, the management estimates the recoverable amounts. Determining the recoverable amounts of the cash generating units that relates to an asset involves valuation methods that include financial and market assumptions that are based on forecasted information; such as: • Projected revenues • Projected operating costs • Projected capital expenditures • Industry trends • Market growth rates and discount rate We considered this as a key audit matter, since the assessment of impairment of property and equipment requires a significant degree of judgment by management in determination of the above mentioned assumptions, relating to forcasted information. Also, the potential impact of any changes in the estimation of recoverable amounts could be material on the consolidated fincanical position and consolidated results of operation of the Group. Refer to note (2.3) of the consolidated financial statements for the accounting policy of impairment of non-financial assets and note (11) for the disclosure of property and equipment.	The procedures we performed included the following: • Assessed the design and implementation and operating effectiveness of the Group's internal controls to determine whether impairment indications exist or not. • Assessed the appropriateness of the Group's identification of cash generating unit (CGU). • Reviewed the reasonableness of the methodology used by management to estimate the recoverable amount of each CGU. • Evaluated the Group's assumptions and estimates, used in the preparation of discounted cash flow model that determine the recoverable amounts, including those related to forecasted operating revenues, operating costs and capital expenditures. • Involved specialists to assess the Group's methodology and underlying assumptions including financial assumptions, industry trends, market growth rates and discount rate. • Checked the mathematical accuracy of the discounted cash flow model used by management and agreed input data to the latest budget. • Assessed the adequacy of the Group's disclosures relating to impairment of non-financial assets in the consolidated financial statements.

Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Review of estimated useful lives of the Group's buildings and buildings renovations</td><td></td></tr>
<tr><td>The Group owns and operates a number of hotels and commercial properties. The carrying value of buildings and its renovation that relate to these properties ("the buildings"), is SR 1 billion, representing around 34% of total assets as at 31 December 2018.

The management reviews the estimated useful lives of the buildings on an annual basis. This review includes significant judgment by the Group's management to assess and estimate the buildings useful lives.

Useful life of an asset is mainly impacted by its future economic benefits. However, there are other factors, such as:

▸ expected physical wear and tear
▸ future usage of the assets
▸ potential changes in market demand
▸ expected technical and commercial obsolescence

We considered this as a key audit matter, since this assessment requires significant degree of management judgment. Also, the potential impact of any changes in the above mentioned factors could be material to the consolidated financial position and consolidated results of operation of the Group.

Refer to note (2.3) of the consolidated financial statements for the accounting policy of property and equipment, note (3) for significant assumptions and estimates and note (11) for the disclosure of property and equipment.</td><td>The procedures we performed included the following:

• Obtained an understanding of the procedures performed by management to estimate the useful lives of the buildings.

• Tested, on a sample basis, the supporting documents, used by management in the estimation process of the buildings useful lives; such as reports prepared by the Group's Technical Department and external advisor.

• Reviewed the benchmarking reports prepared by management that cover relevant industry and historical experience relating to the buildings estimated useful lives.

• Assessed the adequacy of the Group's disclosures in respect of estimation of the buildings useful lives in the consolidated financial statements.</td></tr>
</table>

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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Other Information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2018 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2018 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those Charged with Governance.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process

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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

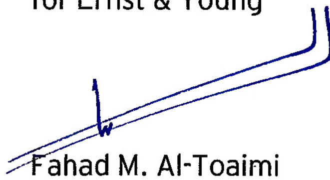
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

Riyadh: 7 Rajab 1440H
(14 March 2019)

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018 SR	2017 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**139,789,605**	153,206,897
Trade receivables	6	**104,053,300**	84,313,392
Due from related parties	7	**22,250,094**	21,757,752
Prepayments and other current assets	8	**23,410,446**	19,864,668
Inventories	9	**22,829,074**	23,798,440
TOTAL CURRENT ASSETS		**312,332,519**	302,941,149
NON-CURRENT ASSETS			
Investment at fair value through other comprehensive income (FVOCI)		**7,000,000**	7,000,000
Investment in equity accounted investees	10	**25,191,200**	26,274,475
Property and equipment	11	**1,894,297,557**	1,886,310,833
Capital work in progress	12	**685,421,245**	383,555,729
TOTAL NON-CURRENT ASSETS		**2,611,910,002**	2,303,141,037
TOTAL ASSETS		**2,924,242,521**	2,606,082,186
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		**16,398,327**	34,644,795
Accrued expenses and other current liabilities	13	**190,202,409**	145,167,711
Due to related parties	7	**39,445,341**	16,686,148
Term loans - current portion	14	**92,491,060**	37,491,064
Dividend payable		**47,074,234**	45,301,426
Provision for zakat	15	**15,627,777**	15,117,862
TOTAL CURRENT LIABILITIES		**401,239,148**	294,409,006
NON-CURRENT LIABILITIES			
Term loans - noncurrent portion	14	**655,525,586**	432,258,650
Employees' terminal benefits liabilities	16	**56,480,888**	54,182,936
TOTAL NON-CURRENT LIABILITIES		**712,006,474**	486,441,586
TOTAL LIABILITIES		**1,113,245,622**	780,850,592
EQUITY			
Share capital	17	**1,000,000,000**	1,000,000,000
Statutory reserve	18	**500,000,000**	500,000,000
Contractual reserve	19	**143,002,490**	143,002,490
Retained earnings		**131,662,069**	144,618,292
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,774,664,559**	1,787,620,782
Non-controlling interest		**36,332,340**	37,610,812
TOTAL EQUITY		**1,810,996,899**	1,825,231,594
TOTAL LIABILITIES AND EQUITY		**2,924,242,521**	2,606,082,186

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Note	2018 SR	2017 SR
Hospitality income	21	**352,800,574**	395,114,826
Rental income		**95,872,309**	82,139,079
Management fees income	21	**5,389,534**	6,349,845
TOTAL REVENUE		**454,062,417**	483,603,750
COST OF REVENUE	22	**(345,981,459)**	(353,092,614)
GROSS PROFIT		**108,080,958**	130,511,136
EXPENSES			
Selling and marketing		**(1,056,191)**	(1,667,673)
General and administration	23	**(37,493,432)**	(33,499,428)
TOTAL EXPENSES		**(38,549,623)**	(35,167,101)
OPERATING INCOME		**69,531,335**	95,344,035
Financial charges	14	**(6,620,108)**	(1,092,616)
Finance income		**1,420,543**	663,536
Other income, net		**5,501,221**	5,178,307
Share in net results of equity accounted investees	10	**(1,083,275)**	(4,161,917)
Additional charges for a legal liability	24	**(7,353,987)**	-
INCOME BEFORE ZAKAT		**61,395,729**	95,931,345
Zakat	15	**(5,140,558)**	(5,065,120)
NET INCOME FOR THE YEAR		**56,255,171**	90,866,225
Attributable to:			
Equity holders of the parent		**57,462,355**	90,631,244
Non-controlling interest		**(1,207,184)**	234,981
		56,255,171	90,866,225
Basic and diluted earnings per share	25	**0.56**	0.91

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 SR	2017 SR
NET INCOME FOR THE YEAR		**56,255,171**	90,866,225
OTHER COMPREHENSIVE INCOME			
Items that will not to be reclassified to consolidated statement of income:			
Actuarial (loss) gain on re-measurement of employees' terminal benefits liabilities	16	**(6,247,982)**	3,749,477
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(6,247,982)**	3,749,477
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**50,007,189**	94,615,702
Attributable to:			
Equity holders of the parent		**50,665,062**	94,162,488
Non-controlling interest		**(657,873)**	453,214
		50,007,189	94,615,702

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital SR	Statutory reserve SR	Contractual reserves SR	Retained earnings SR	Total SR	Non-controlling interest SR	Total equity SR
For the year ended 31 December 2018								
At the beginning of the year		1,000,000,000	500,000,000	143,002,490	144,618,292	1,787,620,782	37,610,812	1,825,231,594
Impact of adopting IFRS 9 at 1 January 2018	2.4	-	-	-	(8,621,285)	(8,621,285)	(620,599)	(9,241,884)
Restated balance at the beginning of the year		1,000,000,000	500,000,000	143,002,490	135,997,007	1,778,999,497	36,990,213	1,815,989,710
Net income for the year		-	-	-	57,462,355	57,462,355	(1,207,184)	56,255,171
Other comprehensive loss for the year		-	-	-	(6,797,293)	(6,797,293)	549,311	(6,247,982)
Total comprehensive income for the year		-	-	-	50,665,062	50,665,062	(657,873)	50,007,189
Dividends	20	-	-	-	(55,000,000)	(55,000,000)	-	(55,000,000)
At the end of the year		**1,000,000,000**	**500,000,000**	**143,002,490**	**131,662,069**	**1,774,664,559**	**36,332,340**	**1,810,996,899**
For the year ended 31 December 2017								
At the beginning of the year		1,000,000,000	500,000,000	143,002,490	135,455,804	1,778,458,294	37,292,773	1,815,751,067
Net income for the year		-	-	-	90,631,244	90,631,244	234,981	90,866,225
Other comprehensive income for the year		-	-	-	3,531,244	3,531,244	218,233	3,749,477
Total comprehensive income for the year		-	-	-	94,162,488	94,162,488	453,214	94,615,702
Dividends	20	-	-	-	(85,000,000)	(85,000,000)	(135,175)	(85,135,175)
At the end of the year		1,000,000,000	500,000,000	143,002,490	144,618,292	1,787,620,782	37,610,812	1,825,231,594

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 SR	2017 SR
OPERATING ACTIVITIES			
Income before zakat		**61,395,729**	95,931,345
Adjustments for:			
Depreciation	11	**67,412,889**	64,065,745
Provision for trade receivable expected credit loss, net		**(203,466)**	320,830
Provision of slow moving inventory	9	**1,172,378**	905,510
Share in net results of equity accounted investees	10	**1,083,275**	4,161,917
Gain on sale of property and equipment		**-**	(3,079,388)
Employees' terminal benefits provision	16	**7,666,415**	5,693,267
		138,527,220	167,999,226
Changes in operating assets and liabilities:			
Trade receivables		**(19,536,442)**	(17,887,213)
Prepayments and other current assets		**(3,545,778)**	7,267,486
Inventories		**(203,012)**	1,892,785
Due from related parties		**(492,342)**	(14,919,987)
Trade payables		**(18,246,469)**	13,306,103
Accrued expenses and other current liabilities		**40,332,706**	27,635,533
Due to related parties		**22,759,193**	(1,478,223)
Cash from operations		**159,595,076**	183,815,710
Zakat paid	15	**(7,747,726)**	(7,864,480)
Employee benefits paid	16	**(11,616,445)**	(3,317,901)
Net cash from operating activities		**140,230,905**	172,633,329
INVESTING ACTIVITIES			
Additions to property and equipment	11	**(22,602,134)**	(21,126,745)
Additions to capital work in progress	12	**(354,662,995)**	(262,838,862)
Proceeds from sale of property and equipment		**-**	6,357,455
Dividends from investment		**350,000**	-
Net cash used in investing activities		**(376,915,129)**	(277,608,152)
FINANCING ACTIVITIES			
Proceeds from term loans, net		**278,266,932**	154,856,853
Dividends for shareholders	20	**(55,000,000)**	(85,000,000)
Dividends for non-controlling interests		**-**	(135,175)
Net cash from financing activities		**223,266,932**	69,721,678
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(13,417,292)**	(35,253,145)
Cash and cash equivalents at the beginning of the year		**153,206,897**	188,460,042
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**139,789,605**	153,206,897

The attached notes 1 to 29 form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

Dur Hospitality Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company formed under the Regulations for Companies and is registered in the Kingdom of Saudi Arabia ("KSA") under the commercial registration number 1010010726 dated 6 Muharram 1397H (corresponding to 27 December 1976).

The Company's activities comprise of the construction, acquisition, operation, management, entering into partnership and renting of hotels, restaurants, motels, rest stops, entertainment centers, travel agencies, private and public roads and tourism areas. In addition, the activities include the acquisition, development and sale of lands and construction of buildings thereon or renting lands, providing services to pilgrims and visitors of the Prophet's (PBUH) Mosque. The Company shall carry out its activities by itself or through others jointly or separately.

The Company has invested in the following subsidiaries, which are included in these consolidated financial statements:

Subsidiary	Share Capital SR	Direct and indirect Ownership % 31 December 2018	31 December 2017
Makkah Hotels Company Limited	165,600,000	**99.44%**	99.44%
Saudi Hotel Services Company	70,000,000	**70%**	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	**98.73%**	98.73%
Tabuk Hotels Company Limited	27,300,000	**97.14%**	97.14%
Jude Alia Company Limited	100,000	**99%**	99%
Almasdar Alamny Company Limited	100,000	**95%**	95%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95%**	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	**100%**	100%
Dara Oasis Company Limited (One Person Company)	100,000	**100%**	100%

The Company and its subsidiaries are collectively described as (the "Group") in these consolidated financial statements.

The following are details of the subsidiaries and their activities:

Makkah Hotels Company Limited
Makkah Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4031011879 dated 20 Ramadan 1402H (corresponding to 12 July 1982). The company is engaged in hospitality services inside and outside the KSA. The Company owns Makarem Ajyad Hotel in Makkah.

Saudi Hotel Services Company Limited
Saudi Hotel Services Company is a Saudi limited liability company and is registered under the commercial registration number 1010010454 dated 11 Dhul-Qadah 1396H (corresponding to 4 November 1976). The company owns Crown Plaza - Riyadh Palace Hotel.

Alnakheel for Tourist Areas Company Limited
Alnakheel for Tourist Areas Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4030092204 dated 22 Jumad Thani 1413H (corresponding to 17 December 1992). The company owns Makarem Alnakheel Hotel and Resort in Jeddah.

Tabuk Hotels Company Limited
Tabuk Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 3550006303 dated 5 Rabi Thani 1406H (corresponding to 17 December 1985). The company owns Holiday Inn Tabuk Hotel.

1 CORPORATE INFORMATION (continued)

Jude Alia Company Limited
Jude Alia Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010428949 dated 25 Safar 1436H (corresponding to 17 December 2014). The principal activities of the company include building and construction.

Almasdar Alamny Company Limited
Almasdar Alamny Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010433370 dated 16 Rajab 1436H (corresponding to 5 May 2015). The company is engaged in providing special civil security guard services in KSA pursuant to the Public Security letter number (3/1078413) dated 28 Rajab 1435H (corresponding to 27 May 2014).

Al Sawaed Al Kareemah Investment and Real Estate Development Company
Al Sawaed Al Kareemah Investment and Real Estate Development Company is a Saudi limited liability company and is registered under the commercial registration number 1010437489 dated 26 Dhul-Qadah 1436H (corresponding to 10 September 2015). The company is engaged in construction, transportation, storage, refrigeration, financial and business services, as well as tourist accommodation services pursuant to the license of the Saudi Commission for Tourism and National Heritage No. (37/0096/F) dated 6 Safar 1437H (corresponding to 18 November 2015).

Sofraa Al Ewaa Hospitality Company
Sofraa Al Ewaa Hospitality Company is Saudi One Person limited liability company and is registered under commercial registration number 1010901133 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing hospitality services, establishment of restaurants, hotels and exhibitions.

Dara Oasis Company Limited
Dara Oasis Company Limited is a Saudi One Person limited liability company and is registered under commercial registration number 1010901132 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing tourism activities.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND MEASUREMENT

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (referred to thereafter as "IFRS as endorsed in KSA").

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Saudi Riyal ("SR").

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ('OCI') are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When a Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing these consolidated financial statements:

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date, fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the general and administration expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held), over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Investment in equity accounted investees
An equity accounted investee ("the investee") is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its investees are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the investees since the acquisition date. Goodwill relating to the investees is included in the carrying amount of the investment and is not tested for impairment separately.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in equity accounted investees (continued)
The consolidated statement of income reflects the Group's share of the results of operations of the investees. Any change in statement of other comprehensive income of those investees is presented as part of the Group's consolidated statement of other comprehensive income. In addition, when there has been a change recognised directly in the equity of the investees, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the investees are eliminated to the extent of the interest in those investees.

The aggregate of the Group's share of profit or loss of an investee is shown separately on the face of the consolidated statement of income.

The consolidated financial statements of the investees are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its investees. At each reporting date, the Group determines whether there is any objective evidence that the investment in the investee is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value and recognises the loss as part of 'Share in net results of equity accounted investees' in the consolidated statement of income.

Revenue
Revenue from contracts with customers
The Group provides hospitality services and property management to its customers. Revenue from contracts from customers are recognized when the control over the goods and services are transferred to the customer in an amount that reflects the compensation earned by the Group for those goods and services. The Group has concluded that it acts as a principal for all its revenue arrangements except for property management as usually it control the goods and services before they are transferred to the customer.

Hospitality services
Primarily derived from hotel operations, including the rental of rooms and food and beverage sales at the point in time when goods are provided to customers. Revenue from rooms occupancy is recognized over time.

Properties management fees
Earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability; recognised when earned on an accrual basis under the terms of the contract.

Foreign currencies
The Group's consolidated financial statements are presented in Saudi Riyal, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of income reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated financial statements date. All differences are recognised in consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Translation of group companies
Financial statements of the foreign operation are translated into Saudi Riyal using the exchange rate at each consolidated statement of financial position date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Defined employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans
Retirement benefit in the form of General Organization of Social Insurance (‘GOSI’) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognises contribution payable to the GOSI as an expense when due.

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognised and reported within other reserves under the consolidated statement of changes in equity with corresponding debit or credit to consolidated statement of other comprehensive income that comprises of actuarial gains and losses on the defined benefits obligation.

Zakat
The Company and its subsidiaries are subject to Zakat in accordance with the zakat regulation issued by the General Authority of Zakat and Tax ("GAZT") in the KSA, which is also subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakatable profit or based on net equity using the basis defined in the zakat regulation (the Zakat base). The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. Zakat provision is charged to the consolidated statement of income. Additional Zakat liability, if any, related to prior years’ assessments arising from GAZT are accounted for in the period in which the final assessments are finalised.

Inventories
Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost of inventory includes purchase price plus all incurred expenditures in order to bring the inventory to its existing location and condition. Net realisable value comprises estimated selling price in the ordinary form of business, less selling expenses. A provision for obsolete, slow moving and defective inventories is made, when necessary.

Property and equipment
Recognition and measurement
Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property and equipment is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
Recognition and measurement (continued)
When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the consolidated statement of income. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work-in-progress
Capital work-in-progress is stated at cost and is not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use and it is transferred to property and equipment. Finance costs on borrowings to finance the construction of qualified assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

Trade receivable
For trade receivables hat do not contain a significant financing component, the Group applied a practical expedient. Accordingly, trade receivable are measured using the transaction price as described by IFRS 15. Refer to accounting policies for contracts with customers.

Financial assets designated at fair value through other comprehensive income
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 ‘Financial Instruments: Presentation’ and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of income. Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in consolidated statement of comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)
Financial assets designated at fair value through other comprehensive income (continued)

The Group does not have any financial assets held at fair value through other comprehensive income (debt instruments) and at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Group has transferred substantially all the risks and rewards of the asset, or
(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
For financial assets not classified at fair value through profit or loss and other comprehensive income, the Group assesses at each reporting date whether there is any objective evidence that such financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that debtors or a Group of debtors are experiencing significant financial difficulty, default or delinquency in principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Refer to the accounting policies in note 2.4 for ECL policy.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include term loans, accounts payable and due to related parties.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)
Loans and borrowings(continued)
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents
For the purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash, bank balances and deposits with original maturities of three months or less. Bank overdraft is classified as current liabilities.

Impairment of Non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

For assets excluding goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Rental income
Rental income is recognised on a straight-line basis over the term of lease; lease incentives granted are recognised as an integral part of the total rental income, over the term of lease.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement - continued
Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in the consolidated statement of income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Dividend
The Group recognises a liability to make cash or non-cash distributions to shareholders of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. Final dividends are recognised as a liability at the time or at the period of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors. A corresponding amount is recognised directly in the consolidated statement of changes in equity.

Segment reporting
A reporting segment is a component of the Group that engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operation segments' operating results are reviewed regularly by the Group's chief operating decision makers about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group applies, for the first time IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) and that require restatement of previous financial statements effective as of 1 January 2018. The nature and effect of these changes are disclosed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts ("IAS 11"), IAS 18 Revenue and related Interpretations ("IAS 18") and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption where the comparative information for each of the primary financial statements will not be restated and are presented based on the requirements of IAS 11, IAS 18 and related Interpretations. The adoption of IFRS 15 did not have a material impact on the Group's consolidated financial statements.

Under IFRS 15, revenue is recognised when a customer obtains control of the services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group did not restate the comparative information for the period beginning 1 January 2017 due to the adoption of IFRS 9. The comparative information for each of the primary financial statements were not restated and are presented based on the requirements of IAS 39.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

Impairment:
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at 'Fair Value through Other Comprehensive Income' ("FVOCI"), but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The adoption of IFRS 9 has resulted in a reduction of the opening balance of retained earnings and non-controlling interest as of 1 January 2018 by SR 8.6 million and SR 621 thousand respectively, which has been recognised in the consolidated statement of changes in equity for the year ended 31 December 2018.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, allowance from credit losses are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments ("IFRS 9") (continued)

Impairment (continued)

The Group measures allowance for credit losses at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Allowance for credit losses of financial assets that are measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented separately in the consolidated statement of income.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. These amendments do not have any impact on the Group's consolidated financial statements.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity, associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are not relevant to the Group.

2.5 NEW STANDARDS ISSUED BUT NOT EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group will adopt IFRS 16 'Leases' ("IFRS 16") from its mandatory adoption date of 1 January 2019 by applying the simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives for the 2018 financial year will not be restated. The Group is in the process of finalizing its calculation of the final amount for the right-of-use assets and lease liability as at 1 January 2019.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 NEW STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. . The Group intends to adopt this interpretation when it become effective.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in consolidated statement of income. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 NEW STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (continued)
The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

• *IFRS 3 Business Combinations*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

• *IFRS 11 Joint Arrangements*
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

• *IAS 12 Income Taxes*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. These amendments do not have any impact on the Group's consolidated financial statements.

• *IAS 23 Borrowing Costs*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 NEW STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

• *IAS 23 Borrowing Costs (continued)*

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the 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 estimates are recognised prospectively.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating units ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Expected credit loss of trade receivable
The Group has applied the standard's simplified approach of impairment in accordance with IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Employees' terminal benefits liabilities
The present value of the Employees' terminal benefits liabilities is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Property and equipment useful life and residual value
Any change in the estimated useful life or depreciation pattern will be accounted for prospectively. During the year, the Group has revised its accounting estimates of the useful lives of certain buildings from 75 to 60 years and for certain buildings renovations from 5 to 10 years, based on the expected future use of those buildings and renovations and the advice of an engineering expert. Had there been no change in the useful lives, the net income for the year and the net book value of property and equipment would have decreased by SR 511,916.

4 OPERATING SEGMENTS

The Group has the following strategic divisions, which represents its reportable segments. These segments offer different services and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

The following summary describes the operations of each reportable segment.

Hospitality: represents hotels owned by the Group and revenues generated through them whether these hotels are operated by the Group or by a third party.

Property management: represents management and operation of hotels and properties that are not owned by the Group.

Property rental: represents properties owned by the Group which are leased to others. These properties primarily comprises of residential compounds and commercial complexes.

Others: represents corporate office and other support services departments.

Following is a summary of certain financial information for the two years ended 31 December:

2018 SR	Hospitality	Property Management	Property Rental	Others	Elimination	Total
Revenue from external customer	352,800,574	5,389,534	95,872,309	-	-	**454,062,417**
Inter-segment revenue	1,731,846	20,277,930	6,436,378	-	(28,446,154)	**-**
Cost of revenue	(301,111,715)	(5,158,809)	(39,710,935)	-	-	**(345,981,459)**
Gross profit	51,688,859	230,725	56,161,374	-	-	**108,080,958**
Depreciation	49,532,959	-	13,855,235	4,024,695	-	**67,412,889**
Property and equipment	892,930,909	-	905,388,119	95,978,529	-	**1,894,297,557**
Capital work in progress	506,209,670	-	179,211,575	-	-	**685,421,245**
Total assets	1,703,745,900	-	1,124,518,092	95,978,529	-	**2,924,242,521**
Total liabilities	208,521,700	-	904,723,922	-	-	**1,113,245,622**

2017 SR	Hospitality	Property Management	Property Rental	Others	Elimination	Total
Revenue from external customer	395,114,826	6,349,845	82,139,079	-	-	483,603,750
Inter-segment revenue	1,653,998	21,344,053	6,450,238	-	(29,448,289)	-
Cost of revenue	(313,427,583)	(4,189,995)	(35,475,036)	-	-	(353,092,614)
Gross profit	81,687,243	2,159,850	46,664,043	-	-	130,511,136
Depreciation	50,793,420	-	9,644,976	3,627,349	-	64,065,745
Property and equipment	934,384,268	-	859,421,729	92,504,836	-	1,886,310,833
Capital Work in progress	278,644,809	-	104,910,920	-	-	383,555,729
Total assets	1,419,819,469	-	1,093,757,881	92,504,836	-	2,606,082,186
Total liabilities	212,868,527	-	567,982,065	-	-	780,850,592

4 OPERATING SEGMENTS (continued)

Reconciliation of information on reportable segments to income before zakat of the Group for the two years ended 31 December:

	2018 SR	2017 SR
Gross profit of operating segments	**108,080,958**	130,511,136
Un-allocated amount:		
Other income	**5,501,221**	5,178,307
Selling and marketing expenses	**(1,056,191)**	(1,667,673)
General and administration expenses	**(37,493,432)**	(33,499,428)
Additional charges for a legal liability	**(7,353,987)**	-
Finance income	**1,420,543**	663,536
Financial charges	**(6,620,108)**	(1,092,616)
Share in net results of equity accounted investees	**(1,083,275)**	(4,161,917)
Total un-allocated amount	**(46,685,229)**	(34,579,791)
Income before zakat	**61,395,729**	95,931,345

5 CASH AND CASH EQUIVALENTS

	2018 SR	2017 SR
Short term deposits (*)	**113,300,004**	100,042,457
Bank balances	**25,926,151**	52,645,040
Cash on hand	**563,450**	519,400
	139,789,605	153,206,897

(*) Short term deposits represent Murabaha deposits with commercial banks. The maturity average of those deposits ranges between 30 to 90 days.

6 TRADE RECEIVABLES

	2018 SR	2017 SR
Trade receivables	**130,343,530**	101,565,205
Provision for expected credit loss	**(26,290,230)**	(17,251,813)
	104,053,300	84,313,392

Movement in provision for expected credit loss for the two years ended 31 December:

	2018 SR	2017 SR
At the beginning of the year	**17,251,813**	17,229,912
Impact of adopting IFRS 9 at 1 January 2018 (note 2.4)	**9,241,884**	-
Charge for the year (note 23)	**1,684,780**	1,294,052
Recovered during the year	**(1,888,247)**	(973,222)
Bad debts written off during the year	**-**	(298,929)
At the end of the year	**26,290,230**	17,251,813

6 TRADE RECEIVABLES (continued)

Aging analysis of trade receivables

Following is the provision criteria used for expected credit loss for trade receivables as of 31 December:

	Total	*1-60 days*	*61-90 days*	*91-365 days*	*1-2 years*	*2-3 years*	*>3 years*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Provision for expected credit loss							
2018	**26,290,230**	**480,749**	**1,287,366**	**2,185,985**	**5,133,360**	**2,811,502**	**14,391,268**
2017	17,251,813	169,251	315,448	1,509,224	1,805,030	2,914,198	10,538,662
Trade receivables							
2018	**130,343,530**	**29,027,836**	**17,058,830**	**25,369,410**	**17,550,040**	**7,010,981**	**34,326,433**
2017	101,565,205	44,400,363	9,385,812	19,406,248	6,922,260	5,895,646	15,554,876

7 RELATED PARTY TRANSACTIONS AND BALANCES

During its ordinary course of business, the Group transacts with related parties mentioned below, these transactions are made in accordance with terms approved by management. The transactions represent services exchanged between the entities.

Details of transactions amounts and resulted balances are as follows:

a) Due from related parties

			Amount of transactions for the two years ended 31 December		Balance	
			2018	2017	2018	2017
Related Party	Relation	Nature of transaction	SR	SR	SR	SR
Makarem Al Ma'arifa Hospitality Company	Associate	Technical fees income	**463,521**	1,024,330	**18,365,582**	20,554,162
Makarim Al Bait Hotel	Affiliate	Management fees income	**416,934**	335,020	**1,381,480**	63,129
AL Yasmin Compound	Affiliate	Management fees income	**490,929**	-	**876,559**	-
Al Jazira Badr	Affiliate	Management fees income	**182,978**	586,057	**790,858**	480,733
Um Al qura Hotel	Affiliate	Management fees income	**712,824**	708,616	**508,673**	225,752
Makarem Mena Hotel	Affiliate	Management fees income	**-**	260,000	**-**	266,892
Others	Affiliates	Technical fees income	**1,120,852**	909,234	**326,942**	167,084
					22,250,094	21,757,752

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party transactions (continued)

b) Due to related parties

Related Party	Relation	Nature of transaction	Amount of transactions for the two years ended 31 December 2018 SR	2017 SR	Balance 2018 SR	2017 SR
Al Madinah Hotels Company limited	Associate	Management fees income	**-**	895,959	**14,651,496**	13,327,063
Al Jazira and Dawudia Compounds	Affiliate	Management fees income	**-**	-	**18,957,438**	-
Al Rawda Residence Compound	Affiliate	Management fees income	**308,805**	408,945	**2,656,756**	158,331
Makarem Mena Hotel	Affiliate	Management fees income	**492,377**	-	**1,759,008**	-
Al Mazzar Compound	Affiliate	Management fees income	**420,375**	519,238	**492,052**	84,084
Al Andalus Residence Compound	Affiliate	Management fees income	**659,995**	988,023	**775,912**	1,330,281
Makarim Al Shurafat	Affiliate	Management fees income	**112,131**	-	**152,679**	-
AL Yasmin Compound	Affiliate	Management fees income	**-**	385,358	**-**	1,786,389
					39,445,341	16,686,148

Transactions with key management personnel:

	Amount of transactions for the two year ended 31 December 2018 SR	2017 SR
Salaries, bonuses and end of service of the Group's key management persons	**6,065,138**	5,550,773

Terms and conditions relating to related party balances

Outstanding balances with related parties at the year end are unsecured, interest free, settled in cash and due within 12 months of statement of consolidated financial position date. There have been no guarantees provided or received for any related party receivables or payables. For the two years ended 31 December 2018 and 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each reporting period by examining the financial position of the related party and the market in which the related party operates.

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	2018 SR	2017 SR
Advances to real estate projects	**5,383,841**	5,383,841
Non trade receivables	**4,398,209**	1,185,931
Prepaid insurance	**3,793,302**	3,517,700
Staff advances	**3,008,421**	2,840,560
Advances to suppliers	**1,245,649**	213,162
Prepaid rent	**1,013,525**	4,504,178
Others	**4,567,499**	2,219,296
	23,410,446	19,864,668

9 INVENTORIES

	2018 SR	2017 SR
Linens and furnishings	**5,402,450**	6,047,033
Operation supplies	**4,573,630**	5,377,249
Accessories and silverware	**3,780,442**	3,761,364
Spare parts	**3,415,408**	2,185,788
Foods and beverages	**2,545,878**	2,694,332
Kitchen tools and equipment	**2,387,860**	3,319,520
Stationery and prints	**738,316**	425,063
	22,843,984	23,810,349
Less: provision for slow moving inventories	**(14,910)**	(11,909)
	22,829,074	23,798,440

Movement in provision for slow moving inventories for the two years ended 31 December:

	2018 SR	2017 SR
At the beginning of the year	**11,909**	300,754
Charge for the year (note 22)	**1,172,378**	905,510
Inventory written off during the year	**(1,169,377)**	(1,194,355)
At the end of the year	**14,910**	11,909

10 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

Investment in equity accounted investees represent investments in the following companies which are limited liability companies. All companies below are registered in the Kingdom of Saudi Arabia. The Group's investments in these companies is accounted for using the equity method in the consolidated financial statements.

	Ownership			
	2018	2017	2018	2017
	%	%	SR	SR
Equity accounted investees				
Saudi Company for Heritage Hospitality	**25**	25	**11,509,205**	12,092,481
Makarem Al Ma'arifa Hospitality Company	**50**	50	**9,539,705**	9,539,705
Al Madinah Hotels Company Limited	**50**	50	**4,142,290**	4,142,289
Media Marketing Services Company	**25**	25	**-**	500,000
			25,191,200	26,274,475

Movement in the investment in equity accounted investees for the two years ended 31 December:

	2018	2017
	SR	SR
At the beginning of the year	**26,274,475**	30,436,392
Share in net results	**(1,083,275)**	(4,161,917)
At the end of the year	**25,191,200**	26,274,475

11 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	50-75 years	Motor vehicles	4 years
Building improvements	5-10 years	Devices and equipment	5 years
Furniture	10 years	Elevators and central air conditioning	40 years

	Lands SR	Buildings SR	Building improvements SR	Furniture SR	*Motor vehicles* SR	Devices and equipment SR	Elevators and central air conditioning SR	Total SR
Cost:								
At the beginning of the year	724,671,319	1,391,192,997	88,567,543	287,493,017	8,223,587	59,131,857	70,315,978	**2,629,596,298**
Additions	-	10,400,000	2,706,200	1,527,761	112,000	7,580,735	275,438	**22,602,134**
Disposals	-	-	-	(400,200)	-	(1,289,112)	-	**(1,689,312)**
Transfer from capital work in progress (note 12)	-	44,524,625	-	368,541	-	7,097,486	806,827	**52,797,479**
At the end of the year	724,671,319	1,446,117,622	91,273,743	288,989,119	8,335,587	72,520,966	71,398,243	**2,703,306,599**
Depreciation:								
At the beginning of the year	-	432,347,862	62,722,017	189,825,815	7,889,585	21,676,449	28,823,737	**743,285,465**
Charge for the year	-	27,014,536	12,827,413	14,235,857	64,733	9,316,400	3,953,950	**67,412,889**
Disposals	-	-	-	(400,200)	-	(1,289,112)	-	**(1,689,312)**
At the end of the year	-	459,362,398	75,549,430	203,661,472	7,954,318	29,703,737	32,777,687	**809,009,042**
Net book values:								
As at 31 December 2018	**724,671,319**	**986,755,224**	**15,724,313**	**85,327,647**	**381,269**	**42,817,229**	**38,620,556**	**1,894,297,557**

11 PROPERTY AND EQUIPMENT (continued)

	Lands SR	Buildings SR	Leasehold improvements SR	Furniture SR	*Motor vehicles* SR	Devices and equipment SR	Elevators and central air conditioning SR	Total SR
Cost:								
At the beginning of the year	727,818,069	1,208,384,866	82,931,610	248,694,714	8,087,545	59,389,001	34,526,501	2,369,832,306
Additions	-	-	2,258,327	1,834,480	193,542	8,690,396	8,150,000	21,126,745
Disposals	(3,146,750)	-	-	-	(57,500)	(13,418,858)	-	(16,623,108)
Transfer from capital work in progress (note 12)	-	182,808,131	3,377,606	36,963,823	-	4,471,318	27,639,477	255,260,355
At the end of the year	724,671,319	1,391,192,997	88,567,543	287,493,017	8,223,587	59,131,857	70,315,978	2,629,596,298
Depreciation:								
At the beginning of the year	-	405,988,657	48,635,056	177,199,130	7,813,522	26,463,012	26,465,384	692,564,761
Charge for the year	-	26,359,205	14,086,961	12,626,685	106,113	8,528,428	2,358,353	64,065,745
Disposals	-	-	-	-	(30,050)	(13,314,991)	-	(13,345,041)
At the end of the year	-	432,347,862	62,722,017	189,825,815	7,889,585	21,676,449	28,823,737	743,285,465
Net book values:								
As at 31 December 2017	724,671,319	958,845,135	25,845,526	97,667,202	334,002	37,455,408	41,492,241	1,886,310,833

The depreciation charge has been allocated in the consolidated statement of income for the two years ended 31 December as follows:

	2018 SR	2017 SR
Cost of revenue (note 22)	**63,388,194**	60,438,397
General and administration expenses (note 23)	**4,024,695**	3,627,348
	67,412,889	64,065,745

12 CAPITAL WORK IN PROGRESS

Capital work in progress represents mainly the costs of construction of Marriot Hotel and Executive Apartment Project in Diplomatic Quarter amounting to SR 335.7 million (2017: SR 158.2 million), Darraq Housing Project (Phases IV, V) amounting to SR 101 million (2017: SR 70.2 million), expansion of Marriot Riyadh Airport Hotel amounting to SR 54.7 million (2017: SR 13.6 million), renovation cost of Makarem Ajyadh Makkah Hotel of SR 8.2 million (2017: SR 4.2 million) and cost for other projects is SR 185.8 million (2017: 137.4 million).

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2018 was SR 14.3 million (year ended 31 December 2017: SR 9.3 million). The rate used to determine the amount of borrowing costs eligible for capalisation is the interest rate of the weighted average borrowings.

Movement in capital work in progress for the two years ended 31 December:

	2018 SR	2017 SR
At the beginning of the year	**383,555,729**	375,977,222
Additions during the year	**354,662,995**	262,838,862
Transfers to property and equipment (note 11)	**(52,797,479)**	(255,260,355)
At the end of the year	**685,421,245**	383,555,729

13 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2018 SR	2017 SR
Revenue received in advance	**57,523,713**	58,403,467
Payable to contractors	**35,497,113**	14,535,138
Payable retentions	**30,583,463**	21,526,674
Accrued rentals	**26,023,727**	12,788,034
Accrued staff benefits	**22,807,868**	21,884,561
Accrued services expenses	**3,005,953**	8,349,196
Management fees payable	**910,533**	4,148,646
Others	**13,850,039**	3,531,995
	190,202,409	145,167,711

14 TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total value of SR 1,424 million (2017: SR 371.9 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by promissory notes and assignment of proceeds from Darraq project rentals.

The management assessed that the fair value of term loans approximate their carrying amounts.

15 ZAKAT

The Company and its subsidiaries file their Zakat returns individually based on their financial statements. Therefore, Zakat base is identified and calculated for the Company and its subsidiaries individually, and total estimated Zakat is presented in the consolidated statement of income for the Group.

The Group has finalised its Zakat status with the General Authority of Zakat and Tax ("the GAZT") for all years up to and including 31 December 2009, the Group has further filed its Zakat returns for all years up to 2017 and paid the Zakat payable and obtained the relevant zakat certificate. However, the Group is still waiting to get the final assessments from the GAZT.

15 ZAKAT (continued)

Movement in provision for zakat for the two years ended 31 December:

	2018 SR	2017 SR
At the beginning of the year	**15,117,862**	17,917,222
Provided during the year	**5,140,558**	5,065,120
Refund during the year	**3,117,083**	-
Payments made during the year	**(7,747,726)**	(7,864,480)
At the end of the year	**15,627,777**	15,117,862

Zakat base items that are used in calculation of zakat provision for the Group are summarised as follows as of 31 December:

	2018 SR	2017 SR
Shareholders' equity	**1,798,304,038**	1,769,375,515
Opening provisions and other adjustments	**1,021,276,199**	402,727,276
Book value of long-term assets	**(2,613,957,919)**	(2,309,367,719)
	205,622,318	(137,264,928)
Zakatable income for the year	**65,193,076**	69,189,841
Zakat base	**205,622,318**	69,189,841

16 EMPLOYEES' TERMINAL BENEFITS LIABILITIES

General description
General description of the type of employees' terminal benefits liabilities plan and accounting policy for recognising actuarial gains and losses is disclosed in note 2.3 to the consolidated financial statements.

Principal actuarial assumptions

	2018	2017
Salary increase rate	**4.4%**	3%
Discount rate	**4.3%**	2.9%
Number of employees covered under terminal benefits plan	**1,371**	1,462

The actuarial valuation was conducted using Projected Unit Credit method.

16 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (continued)

Employee benefit expense for the two years ended 31 December:

	2018 SR	2017 SR
Current service cost	**6,202,516**	3,843,871
Interest cost on benefit liabilities	**1,463,899**	1,849,396
Total benefit expense	**7,666,415**	5,693,267

Movement of present value of employees' terminal benefits liabilities for the two years ended 31 December:

	2018 SR	2017 SR
Opening present value of employees' terminal benefits liabilities	**54,182,936**	55,557,047
Total benefit expense	**7,666,415**	5,693,267
Employees' terminal benefits paid	**(11,616,445)**	(3,317,901)
Actuarial loss (gain) on employees' terminal benefit liabilities	**6,247,982**	(3,749,477)
Closing present value of employees' terminal benefits liabilities	**56,480,888**	54,182,936

Employees' terminal benefits liabilities sensitivity analysis

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as at 31 December is shown below:

Assumptions	Salary rate		Discount rate	
Sensitivity level	1% increase SR	1% decrease SR	1% increase SR	1% decrease SR
2018	**58,840,213**	**54,265,395**	**54,360,180**	**58,760,094**
2017	54,724,765	53,641,107	46,859,425	54,518,352

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employee defined benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

17 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (2017: 100 million shares of SR 10 each).

18 STATUTORY RESERVE

In accordance with the Company's bylaws, the Company is required to transfer 10% of its annual net income to a statutory reserve until the reserve equals to 30% of the paid share capital. Statutory reserve balance reached 50% of the share capital due to transfers in the prior years and the Company decided to discontinue such transfers. This reserve is not available for distribution.

19 CONTRACTUAL RESERVE

In accordance with the Company's By-law, the Company allocates 5% of its annual net income to a contractual reserve. Due to transfers in prior years, the Company has decided to discontinue such transfer.

20 DIVIDENDS DECLARATION AND APPROVAL

On 8 August 2018, the Board of Directors approved interim cash dividends of SR 25 million (SR 0.25 per share) for the first half of the year 2018.

On 26 February 2018, the Board of Directors approved interim cash dividends of SR 30 million (SR 0.3 per share) for the second half of the year 2017. On 12 September 2017, the Board of Directors approved interim cash dividends of SR 40 million (SR 0.40 per share) for the first half of the year 2017. These were approved in addition to board of directors' remuneration of SR 1.8 million by General Assembly in its meeting held on 29 March 2018.

On 7 February 2017, the Board of Directors approved interim cash dividends of SR 45 million (SR 0.45 per share) for the second half of the year 2016. These were approved in addition to board of directors' remuneration of SR 1.8 million by General Assembly in its meeting held on 20 April 2017.

21 REVENUE FROM CONTRACT WITH CUSTOMERS

The following is the disaggregation of the Group's revenue from contracts with customers for the two years ended 31 December:

2018	Hospitality	Property Management	Total
	SR	SR	SR
Type of goods or service			
Rooms	222,948,733	-	222,948,733
Food and beverage	115,655,268	-	115,655,268
Other hotel revenues	14,196,573	-	14,196,573
Management fee	-	5,389,534	5,389,534
Total revenue from contracts with customers	**352,800,574**	**5,389,534**	**358,190,108**
Timing of revenue recognition			
Services transferred over time	237,145,306	5,389,534	242,534,840
Goods transferred at a point in time	115,655,268	-	115,655,268
Total revenue from contracts with customers	**352,800,574**	**5,389,534**	**358,190,108**

2017	Hospitality	Property Management	Total
	SR	SR	SR
Type of goods or service			
Rooms	249,126,029	-	249,126,029
Food and beverage	131,412,756	-	131,412,756
Other hotel revenues	14,576,041	-	14,576,041
Management fee	-	6,349,845	6,349,845
Total revenue from contracts with customers	395,114,826	6,349,845	401,464,671
Timing of revenue recognition			/
Services transferred over time	263,702,070	6,349,845	270,051,915
Goods transferred at a point in time	131,412,756	-	131,412,756
Total revenue from contracts with customers	395,114,826	6,349,845	401,464,671

22 COST OF REVENUE

	2018 SR	2017 SR
Salaries and other related expenses	**146,043,129**	145,352,237
Depreciation (note 11)	**63,388,194**	60,438,397
Food and Beverage	**32,842,131**	38,235,631
Operation requirements and accessories	**23,343,443**	27,480,634
Utilities	**20,859,766**	20,534,120
Rent	**17,932,607**	15,096,914
Advertising and promotion activities	**12,479,810**	13,637,379
Service and operation fees	**10,072,937**	12,823,147
Repair and maintenance	**8,269,172**	9,281,235
Commission for travelling agency and credit card	**4,742,482**	4,606,778
Provision for slow moving inventories (note 9)	**1,172,378**	905,510
Security	**1,154,483**	982,118
Other	**3,680,927**	3,718,514
	345,981,459	353,092,614

23 GENERAL AND ADMINISTRATION EXPENSES

	2018 SR	2017 SR
Salaries and other related expenses	**19,297,325**	18,301,095
Depreciation (note 11)	**4,024,695**	3,627,348
Subscription	**2,818,892**	2,218,061
Board of director remuneration	**2,350,000**	2,350,000
Professional fee	**2,470,313**	1,871,153
Provision for expected credit loss (note 6)	**1,684,780**	1,294,052
Hospitality	**1,901,930**	1,736,247
Training	**1,039,238**	341,811
Electricity, water, and telecommunication	**489,959**	408,696
Insurance	**501,559**	509,214
Recruitment expenses	**424,536**	408,136
Maintenance	**237,122**	173,775
Entertainment expenses	**120,000**	120,000
Other	**133,083**	139,840
	37,493,432	33,499,428

24 COMMITMENTS AND CONTINGENCIES

Capital commitments

During the year ended 31 December 2018, the Group has entered into capital commitments of SR 129 million (2017: SR 273.5 million) related to its capital work in progress.

Contingencies

As at 31 December 2018, the Group had issued letters of guarantee amounting to SR 38.9 million (2017: SR 39.2 million). These guarantees are without cash margin.

24 COMMITMENTS AND CONTINGENCIES (continued)

Legal claim contingency

The Group is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, based on the advice of the legal counsel.

Further, the Group was involved in legal proceedings against a lessor ("the lessor") due to increasing rental charges for a property that was leased by the Group for the period from 2009 to 2014 ("the period"). On 28 November 2018, the court issued its final non-appealable ruling and ordered the Group to pay an amount of SR 14.3 million for leasing the property during the above mentioned period. The Group made a provision of SR 6.9 million in previous years for this legal case contingencies. Pursuant the court final ruling issued during the current year, the Group charged an amount of SR 7.4 million to the consolidated statement of income as an additional charge for this legal case.

Operating leases commitment

Group as lessee

Following is the future minimum rentals receivable under non-cancellable operating leases as of 31 December:

	2018 SR	2017 SR
Within one year	**21,670,610**	15,250,610
More than one year but less than five years	**96,069,492**	93,021,473
More than five years	**438,643,140**	463,361,769
	556,383,242	571,633,852

During the current year, the Group commenced negotiation with a lessor to reduce annual rental rate for one its leased hotel. The total new annual rent rate is SR 21 million that covers the period from 1 July 2018 and subsequent years. As of the date of the consolidated financial statements, the outcome of this negotiation has not been finalised.

Group as lessor

The Group has entered into commercial leases. These non-cancellable leases have remaining terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Following is the future minimum rentals receivable under non-cancellable operating leases as of 31 December:

	2018 SR	2017 SR
Within one year	**24,408,710**	-
More than one year but less than five years	**22,386,293**	21,460,000
More than five years	**22,528,037**	14,000,000
	69,323,040	35,460,000

25 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year are calculated by dividing net income for the year by the weighted average number of issued and outstanding shares of 100 million during the two years ended 31 December 2018 and 2017.

26 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as term loans, trade payables and due to related parties (as shown in the consolidated statement of financial position) less cash and cash equivalents.

Equity comprises all components of equity.

The Group's net debt to equity ratio at 31 December was as follows:

	2018 SR	2017 SR
Term loans	**748,016,646**	469,749,714
Trade payable	**16,398,327**	34,644,795
Due to related parties	**39,445,341**	16,686,148
	803,860,314	521,080,657
Less: cash and cash equivalents	**(139,789,605)**	(153,206,897)
Net debt	**664,070,709**	367,873,760
Total equity	**1,810,996,899**	1,825,231,594
Net debt to equity ratio	**37%**	20%

27 FINANCIAL INSTRUMENTS

Financial instruments risk management objectives and policies
The Group is subjected to various financial risks due to its activities including: Market risk (including currency risk, fair value and cash flows of interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Senior management is responsible for risk management. Financial instruments carried on the consolidated statement of financial position include bank balances, short term deposits, investments, trade receivable, due from/to related parties, term loans, and trade payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial asset and liability is offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Market risk
Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
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 Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar.

The management closely and continuously monitors the exchange rate fluctuations.

27 FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risk associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's exposure to interest rate risk primarily to the Group's borrowings. The Group manage its financing through optimising available cash and minimising borrowings.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables, cash and cash equivalent and due from related parties as of 31 December:

	2018 SR	2017 SR
Bank balances and short term deposits	**139,226,155**	152,687,497
Trade receivables	**104,053,300**	84,313,392
Due from related parties	**22,250,094**	21,757,752
	265,529,549	258,758,641

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer assessed based on an extensive credit rating scorecard and individual credit limits defined in accordance with this assessment.

The Group measures the trade receivable net of provision for expected credit loss. For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (see note 6).

As at 31 December 2018, more than 22% (2017: 36%) of the Group's customers are corporate, and an expected credit loss has been recognised against these customers amounted to SR 3.3 million (2017: SR 3.4 million).

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or corporate, their geographic location, industry, trade history with the Group and existence of previous financial difficulties.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an 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 through committed credit facilities to meet any future commitments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at 31 December:

27 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

2018	*3 to 12 months* SR	*1 to 5 years* SR	***Total* SR**
Term loans	92,491,060	655,525,586	**748,016,646**
Trade payables	16,398,327	-	**16,398,327**
Due to related parties	39,445,341	-	**39,445,341**
	148,334,728	**655,525,586**	**803,860,314**

2017	*3 to 12 months* SR	*1 to 5 years* SR	*Total* SR
Term loans	37,491,064	432,258,650	469,749,714
Trade payables	34,644,795	-	34,644,795
Due to related parties	16,686,148	-	16,686,148
	88,822,007	432,258,650	521,080,657

28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances, short term deposits, investments, trade receivables and due from related parties. Its financial liabilities consist of term loans, trade payables and due to related parties.

The management assessed that fair value of bank balances and short term deposits, investments, trade receivables, amounts due from related parties, term loans, trade payables and amounts due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial Assets

	2018 SR	2017 SR
Financial assets classified as available for sale		
Investment at FVOCI	**7,000,000**	7,000,000
Financial assets carried at amortised cost		
Trade receivables	**104,053,300**	84,313,392
Due from related parties	**22,250,094**	21,757,752
Total financial assets carried at amortised cost	**126,303,394**	106,071,144
Total financial assets	**133,303,394**	113,071,144
Total current financial assets	**126,303,394**	106,071,144
Total non-current financial assets	**7,000,000**	7,000,000
	133,303,394	113,071,144

28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Financial liabilities

	2018 SR	2017 SR
Financial liabilities carried at amortised cost		
Trade payables	**16,398,327**	34,644,795
Term loans	**748,016,646**	469,749,714
Due to related parties	**39,445,341**	16,686,148
Total financial liabilities carried at amortised cost	**803,860,314**	521,080,657
Total current financial liabilities	**148,334,728**	88,822,007
Total non-current financial liabilities	**655,525,586**	432,258,650
	803,860,314	521,080,657

The carrying amounts of the financial assets and liabilities reasonably approximate to their fair values.

29 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 7 Rajab 1440H (corresponding to 14 March 2019).