JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

Jabal Omar Development Company (A Saudi Joint Stock Company)

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FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

INDEX

KPMG

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Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Jabal Omar Development Company

Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial statements of Jabal Omar Development Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of cash flows for the nine-months period ended 30 September 2019;
  and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed consolidated interim financial statements of **Jabal Omar Development Company** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Dr. Abdullah Hamed Al Fozan
License No. 348

6 Rabi Al Awal 1441H
Corresponding to 3 November 2019

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C.R. 46
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Jabal Omar Development Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

Expressed in Saudi Riyal "000"

	Notes	As at 30 September 2019 (Unaudited)	As at 31 December 2018 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Investment properties	5	7,891,798	7,653,796
Property and equipment	6	15,818,817	15,386,289
Restricted cash	7	242,590	342,590
Investment held at fair value through profit or loss	8	1,540,800	1,220,000
Investment in an associate	11	87,487	-
Intangible assets		3,600	966
Advances to certain founders		302,633	306,702
Other non-current assets	3(d)	22,362	135,264
TOTAL NON-CURRENT ASSETS		25,910,087	25,045,607
CURRENT ASSETS			
Property for development and sale	9	1,629,040	1,508,443
Other current assets	3(d)	94,005	284,946
Accounts and other receivables	10	406,546	400,212
Restricted cash - current portion	7	582,602	573,060
Cash and cash equivalents	7	219,181	642,314
		2,931,374	3,408,975
Investment in associate classified as held for sale	11	-	82,858
TOTAL CURRENT ASSETS		2,931,374	3,491,833
TOTAL ASSETS		28,841,461	28,537,440
EQUITY AND LIABILITIES			
EQUITY			
Share capital		9,294,000	9,294,000
Statutory reserve		108,506	108,506
Retained earnings		160,699	376,024
Equity attributable to Company's shareholders		9,563,205	9,778,530
Non-controlling interests		5,498	4,700
TOTAL EQUITY		9,568,703	9,783,230
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	12	5,726,908	5,659,030
Liabilities against leases	13	6,608,487	6,611,603
Provision for employees' terminal benefits		26,482	23,860
Other non-current liabilities	6a(ii)	1,981,577	2,094,260
TOTAL NON-CURRENT LIABILITIES		14,343,454	14,388,753
CURRENT LIABILITIES			
Loans and borrowings - current portion	12	4,302,552	3,613,183
Accounts payable and other current liabilities	6a(ii)	603,656	729,035
Liabilities against leases - current portion	13	23,096	17,909
Zakat payable	16	-	5,330
TOTAL CURRENT LIABILITIES		4,929,304	4,365,457
TOTAL LIABILITIES		19,272,758	18,754,210
TOTAL EQUITY AND LIABILITIES		28,841,461	28,537,440

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Hani Abdulwahab Zahran
Group Chief Financial Officer

Yasser Faisal Al Sharif
Chief Executive Officer

Abdulaziz Mohamed Al Subeaei
Chairman of the Board of Directors

Jabal Omar Development Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three and nine months period ended 30 September 2019
Expressed in Saudi Riyal "000"

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
Revenue		**240,285**	1,322,663	**714,929**	1,715,038
Cost of revenue		**(159,904)**	(649,620)	**(561,930)**	(963,212)
GROSS PROFIT		**80,381**	673,043	**152,999**	751,826
Selling and marketing expenses		**(6,265)**	(15,602)	**(21,518)**	(24,826)
General and administrative expenses		**(60,049)**	(63,483)	**(182,650)**	(178,939)
Other income, net	14	**79,408**	49,278	**509,434**	119,671
OPERATING PROFIT		**93,475**	643,236	**458,265**	667,732
Financial charges	15	**(175,515)**	(156,914)	**(511,349)**	(459,330)
Share of results of investment in an associate		**1,284**	(406)	**4,630**	1,944
PROFIT / (LOSS) BEFORE ZAKAT		**(80,756)**	485,916	**(48,454)**	210,346
Zakat		**692**	(16,289)	**-**	(16,289)
PROFIT / (LOSS) FOR THE PERIOD		**(80,064)**	469,627	**(48,454)**	194,057
Other comprehensive income / (loss) items		-	-	-	-
Total comprehensive income / (loss) for the period		**(80,064)**	469,627	**(48,454)**	194,057
PROFIT / (LOSS) AND TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:					
Owners of the Company		**(80,621)**	469,620	**(49,252)**	192,303
Non-controlling interests		**557**	7	**798**	1,754
		(80,064)	469,627	**(48,454)**	194,057
EARNINGS / (LOSS) PER SHARE (SR):					
Basic and diluted earnings / (loss) per share attributable to owners of the Company		**(0.09)**	0.51	**(0.05)**	0.21

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Hani Abdulwahab Zahran Group Chief Financial Officer	Yasser Faisal Al Sharif Chief Executive Officer	Abdulaziz Mohamed Al Subeaei Chairman of the Board of Directors

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2019
Expressed in Saudi Riyal "000"

	Equity attributable to Company's shareholders					
	Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 01 January 2019	**9,294,000**	**108,506**	**376,024**	**9,778,530**	**4,700**	**9,783,230**
Impact of initial application of IFRS 16 (note 3(d))	-	-	(166,073)	(166,073)	-	(166,073)
Balance as at 01 January 2019 (adjusted)	**9,294,000**	**108,506**	**209,951**	**9,612,457**	**4,700**	**9,617,157**
Total comprehensive loss for the period	-	-	(49,252)	(49,252)	798	(48,454)
Balance at 30 September 2019 (Unaudited)	**9,294,000**	**108,506**	**160,699**	**9,563,205**	**5,498**	**9,568,703**
Balance at 01 January 2018	9,294,000	89,128	206,483	9,589,611	(15)	9,589,596
Total comprehensive profit for the period	-	-	192,303	192,303	1,754	194,057
Capital contribution during the period	-	-	-	-	3,500	3,500
Balance at 30 September 2018 (Unaudited)	9,294,000	89,128	398,786	9,781,914	5,239	9,787,153

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Hani Abdulwahab Zahran
Group Chief Financial Officer

Yasser Faisal Al Sharif
Chief Executive Officer

Abdulaziz Mohamed Al Subeaei
Chairman of the Board of Directors

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months period ended 30 September 2019
Express in Saudi Riyal "000"

	Notes	For the nine months period ended 2019 (Unaudited)	2018 (Unaudited)
OPERATING ACTIVITIES			
(Loss) / profit before Zakat		(48,454)	210,346
Adjustments for:			
Depreciation on property and equipment	6	173,741	165,821
Depreciation on investment properties	5	60,058	59,751
Amortization of intangible assets		737	332
Provision for employees' terminal benefits, net		2,096	583
Amortization of deferred gain on sale and finance leaseback assets		(137,046)	(137,046)
Change in fair value of FVTPL investments	8	(320,800)	-
Share of results of investment in an associate		(4,630)	(1,944)
Financial charges		511,349	459,330
		237,051	757,173
Working capital adjustments:			
Other non-current assets		(40,849)	(129,959)
Property for development and sale		(97,312)	444,511
Other current assets		178,617	23,316
Accounts and other receivables		(6,334)	(319,446)
Other non-current liabilities		24,889	120,887
Accounts payable and other current liabilities		(130,708)	(341,679)
Cash generated from operations		165,354	554,803
Financial charges paid		(554,778)	(457,002)
Net cash (used in) / generated from operating activities		(389,424)	97,801
INVESTING ACTIVITIES			
Additions to property and equipment		(443,994)	(352,780)
Purchase of intangible assets		(3,371)	(116)
Additions to investment properties		(207,173)	(113,372)
Net change in restricted cash balance		90,458	(239,888)
Investment held at fair value through profit or loss		-	-
Net cash used in investing activities		(564,080)	(706,156)
FINANCING ACTIVITIES			
Net change in advance to certain founders		4,069	68
Capital contribution by non-controlling interest		-	3,500
Net change in loans and borrowings		524,231	82,404
Net change in liabilities against finance lease		2,071	(10,470)
Net cash generated from financing activities		530,371	75,502
DECREASE IN CASH AND CASH EQUIVALENTS		(423,133)	(532,853)
Cash and cash equivalents at beginning of the period		642,314	972,824
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	219,181	439,971

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Hani Abdulwahab Zahran Group Chief Financial Officer	Yasser Faisal Al Sharif Chief Executive Officer	Abdulaziz Mohamed Al Subeaei Chairman of the Board of Directors

Expressed in Saudi Riyal "000"

	Notes	For the nine months period ended	
		2019 (Unaudited)	2018 (Unaudited)
MAJOR NON-CASH TRANSACTIONS			
Property for development and sale transferred from property and equipment		-	1,000,836
Investment property transferred from property and equipment		-	803,020
Advance for Investment		-	220,000
Amortization of deferred gain on sale and finance lease back	14	137,046	150,468
Capitalization of borrowing cost on property for development and sale		23,285	36,205
Capitalization of borrowing cost on investment properties		90,887	81,832
Right of use assets - previously classified as operating leases	3d (i)	15,824	-
Impairment of right of use asset charged to retained earnings	3d (i)	166,073	-
Capitalization of borrowing cost on property and equipment		162,275	186,671

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

Hani Abdulwahab Zahran Group Chief Financial Officer	Yasser Faisal Al Sharif Chief Executive Officer	Abdulaziz Mohamed Al Subeaei Chairman of the Board of Directors

1. GENERAL INFORMATION

Jabal Omar Development Company ("the Company"), a Saudi Joint Stock Company was established under the Regulations for Companies in the Kingdom of Saudi Arabia ("KSA") as per Royal Decree No. M/63, dated 18 October 2006 (corresponding to 25 Ramadan 1427H). The Ministerial Resolution No. 253/S dated 28 October 2007 (corresponding to 16 Shawal 1428H) declared the incorporation of the Company. The Company is registered in Makkah Al Mukkaramah City under Commercial Registration number 4031051838 dated 25 November 2007 (corresponding to 15 Dhul Qida 1428H).

The Company's main activity is to own Jabal Omar area adjacent to the western side of the Holy Mosque in Makkah and develop it into plots of land to manage, invest, sell and lease them for the Company's interest; in addition to carrying out operations necessary for construction, maintenance, management, demolishing, surveying, and furnishing hotels, commercial facilities and staff residences, as well as importing and exporting hotels' equipment and furniture and operating the hotels.

The Company's project (the "Project") includes seven phases, each phase has a number of podiums and towers. The Company has completed the development works for its initial phase as well as completed site demolition, debris clearance, surface levelling and related infrastructure works. Therefore, majority of properties in these phases are either operational or ready to be monetized. However, the Company is still in the stage of developing the remaining phases. Since the Group utilizes external source of financing to fund the construction of the Project, the magnitude and extent of revenues from the current operational assets, naturally, does not fully cover the aggregate debt servicing requirements. Moreover, large part of the company business is seasonal where hotels income peaks in the Hajj & Umrah season while sales of property for development and sale during similar season also slow down. At 30 September 2019, these factors are adversely impacting certain key financial ratios of the Group (such as liquidity, gearing and debt servicing). As part of its overall liquidity management, the Group had proactively forecasted these issues, including a need for balance sheet restructuring in lieu of the net current liability position and has been working to ratify them with the respective stakeholders. This includes renegotiation of existing debts, especially the sovereign facility, so as to re-align the corresponding obligations with Company's cash flow forecasts. As of the reporting date, the renegotiations are at an advanced stages and the restructurings are expected to be completed in due course. This is complemented by the expected overall growth in business, as well as ready availability of high-quality assets for generating substantial liquidity, both, as part of Company's approved business plan and on a need-basis. Accordingly, no adjustments were deemed to be required in these consolidated financial statements with respect to the valuation and classification of the Group's asset or the classification of liabilities

The Company has branch commercial registrations to engage in hospitality activities as per the Saudi Commission for Tourism and National Heritage's ("SCTA") letters. These condensed consolidated interim financial statements include the results of the operating activities relating to the following hotels in addition to its two branches in Jeddah and Riyadh bearing commercial registration numbers 4030291056 and 1010465230 respectively.

Name	*Commencement of operation*	*Registration No.*	*Registration date*	*SCTA's-letter No.*	*SCTA's-letter date*
Hilton suites Makkah	01 July 2014 (corresponding to 4 Ramadan 1435H)	4031077081	25 May 2013 (corresponding to 15 Rajab 1434H)	AVM/5887/34	04 March 2013 (corresponding to 22 Rabi II 1434H)
Marriott Makkah	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031085088	07 May 2014 (corresponding to 8 Rajab 1435H)	AVM/8332/35	17 March 2014 (corresponding to 16 Jumada I 1435H)
Hyatt Regency	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031087547	09 September 2014 (corresponding to 14 Dhul Qida 1435H)	8957	25 May 2014 corresponding to 26 (Rajab 1435H)
Conrad	30 July 2016 (corresponding to 25 Shabaan 1437H)	4031091636	29 April 2015 (corresponding to 10 Rajab 1436H)	9347	16 March 2015 (corresponding to 25 Jumada I 1436H)
Hilton Convention	31 March 2017 (corresponding to 3 Rajab 1438H)	4031097174	10 August 2016 (corresponding to 07 Dhul Qida 1437H)	16474	19 July 2016 (corresponding to 14 Shawwal 1437H)

1. GENERAL INFORMATION (CONTINUED)

Double Tree	01 August 2019 (corresponding to 29 Dhul Qida 1440H)	4031214815	15 May 2018 (corresponding to 29 Shaban 1439H)	1651	14 May 2018 (corresponding to 28 Shaban 1439H
Branch under operating lease arrangement					
Marriott Makkah	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031085088	07 May 2014 (corresponding to 8 Rajab 1435H)	AVM/8332/35	17 March 2014 (corresponding to 16 Jumada I 1435H)

These condensed consolidated interim financial statements comprise the condensed financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Company has the following subsidiaries as at 30 September 2019. The Group is incorporated in Kingdom of Saudi Arabia.

Name of the Subsidiary	*Registration No.*	*Registration date*	*Ownership interest*	*Financial year end*	*Principal activities*
Shamekhaat Company for Investment and Development	4030594602	09 October 2017 corresponding to 19 Muharram 1439H	100%	31 December	Investment & Development services in the real estate sector
Sahat For Facility Management Company ("Sahat")	4031210499	22 October 2017 corresponding to 02 Safar 1439H	60%	31 December	Real estate services
Warifat Hospitality Company	4030298569	01 January 2018 corresponding 14 Rabi II 1439H	90%	31 December	Hospitality services
Ishraqat for logistic services company	4030303509	06 May 2018 corresponding 21 Shaban 1439H	100%	31 December	Logistic services
Alyaat for marketing company	4030326220	05 March 2019 corresponding 27 Jumada Al-Thani 1440H	100%	31 December	Marketing services

2. BASIS OF PREPARATION

2.1 Statement of compliance

The accompanying condensed consolidated interim financial statements have been prepared in accordance with Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA) (collectively referred to "IFRS as endorsed in KSA").

These condensed consolidated interim financial statements do not include all the information and disclosures required for a complete set of IFRS financial statements to be prepared in accordance with IFRS as endorsed in KSA. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Group's financial position and performance since the date of last audited financial statements. In addition, results for the three and nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. Accordingly, the condensed consolidated interim financial statements should be read in conjunction with the Group's last audited financial statements for the year ended 31 December 2018.

2.2 Basis of Measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the following items which are measured on an alternative basis on each reporting date:

Items	**Measurement basis**
Provision for employee's terminal benefits	Present value of the defined benefit obligation.
Investment held at fair value through profit or loss	Fair value basis

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Arabian Riyals ("SR") which is also the Group's functional and presentational currency. All amounts have been rounded to nearest thousands unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The accounting policies judgements, estimates and assumptions adopted for the preparation of these condensed consolidated interim financial statements are consistent with those applied in preparation of consolidated financial statements as at and for the year ended 31 December 2018, except for the changes in accounting policies as described below and change in valuation technique for investment held at FVTPL as described in note 8.

CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 16 *Leases* from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets (representing its rights to use the underlying assets) and lease liabilities (representing its obligation to make lease payments). Lessor accounting remains similar to previous accounting policies. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported in the last annual audited financial statements for the year ended 31 December 2018, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It has applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 have not been reassessed. Therefore, the definition of a lease under IFRS 16 has been applied, only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone values.

b) As a lessee

i) As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities (at the lease commencement date) for most leases - i.e. these leases are recognized on the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

CHANGES IN ACCOUNTING POLICIES (CONTINUED)

a) As a lessee (Continued)

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is included under investment property. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for those lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii) Transition

Previously, the Group classified property leases as operating leases under IAS 17. At transition, for leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets have measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At transition, those leases which were classified as finance lease before 1 January 2019, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

b) As a lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

d) Impact on financial statements

i) Impact on transition

Upon transition to IFRS 16, the Group has recognized right of use assets and corresponding lease liabilities. The Group has also conducted an impairment assessment of these right of use assets. As a result of this assessment, the Group has determined that the carrying amount of the right of use asset for one lease (the rentals of which were prepaid as at 31 December 2018, classified under other non-current assets (SR 116 million) and other current assets (SR 50 million), and reclassified as right of use asset upon transition to IFRS 16), is in excess of its recoverable amount and accordingly an impairment of SR 166 million has been recognized as part of the transition adjustment. In addition to the foregoing impact, the Group has also recognized depreciation of right of use asset and imputed financial charges on the unwinding of the corresponding lease liability. Refer table below and note 5 and 6 for details of impact relating to transition. The carrying value of right of use assets and lease liabilities at 30 September 2019 amounts to SR 6,147 and SR 6,631 respectively.

Impact of adoption of IFRS 16 as of 1 January 2019	SR in "000"
Additional right-of-use assets recorded (included under property and equipment)	15,824
Additional lease liabilities recorded (included under liabilities under leases)	12,590
Retained Earnings	166,073

4. NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet effective up to the date of issuance of the Group's condensed consolidated interim financial statements are listed below. The Group is currently assessing the implications of the below mentioned standards and amendments on its condensed consolidated interim financial statements, however, it expects that the impact, if any, would not be material to the condensed consolidated interim financial statements.

Effective for annual periods beginning on or after	New Standards or amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards
	Definition of a Business (Amendments to IFRS 3)
	Definition of Material (Amendments to IAS 1 and IAS 8)
1 January 2021	IFRS 17 Insurance Contracts
Available for optional adoption/effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Expressed in Saudi Riyal "000" unless otherwise stated

5. INVESTMENT PROPERTIES

	Land	Buildings	Equipment	Infrastructure Assets	Capital work in progress	Total
COST:						
Balance at 1 January 2018	-	1,755,978	638,833	92,335	2,694,957	5,182,103
Additions during the year	-	-	-	-	304,095	304,095
Transfers from property and equipment (note 6(c))	1,518,276	541,080	265,042	-	-	2,324,398
Balance at 31 December 2018 (Audited)	**1,518,276**	**2,297,058**	**903,875**	**92,335**	**2,999,052**	**7,810,596**
Additions during the period	-	10,805	4,293	-	282,962	298,060
Balance at 30 September 2019 (Unaudited)	**1,518,276**	**2,307,863**	**908,168**	**92,335**	**3,282,014**	**8,108,656**
ACCUMULATED DEPRECIATION:						
Balance at 1 January 2018	-	30,118	32,205	11,706	-	74,029
Depreciation for the year	-	27,653	49,737	2,279	-	79,669
Transfers from property and equipment (note 6(c))	-	955	2,147	-	-	3,102
Balance at 31 December 2018 (Audited)	-	**58,726**	**84,089**	**13,985**	-	**156,800**
Depreciation for the period	-	20,840	37,509	1,709	-	60,058
Balance at 30 September 2019 (Unaudited)	-	**79,566**	**121,598**	**15,694**	-	**216,858**
NET BOOK VALUE:						
At 30 September 2019 (Unaudited)	**1,518,276**	**2,228,297**	**786,570**	**76,641**	**3,282,014**	**7,891,798**
At 31 December 2018 (Audited)	1,518,276	2,238,332	819,786	78,350	2,999,052	7,653,796

5. INVESTMENT PROPERTIES (CONTINUED)

a) Investment properties includes assets under leases, refer note 6(a)(ii) for details.

b) Investment properties include right of use assets amounting to SR 2,343 million, included under the following categories:

	30 September 2019 (Unaudited)
Land	405,186
Building	1,423,629
Equipment	513,992
	2,342,807

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6. PROPERTY AND EQUIPMENT

COST:	Land	Buildings	Central district cooling system	Equipment	Furniture and fixtures and other assets	Infrastructure assets	Capital work in progress	Total
Balance at 1 January 2018	4,539,119	3,818,219	505,025	1,465,620	720,789	265,782	7,465,548	18,780,102
Additions during the year	-	20,324	-	4,390	15,423	1,083	949,938	991,158
Transfers to investment properties (note 6(c))	(1,518,276)	(541,080)	-	(265,042)	-	-	-	(2,324,398)
Transfers to property for development and sale (note 6(b))	(585,376)	-	-	-	-	-	(1,089,385)	(1,674,761)
Balance at 31 December 2018 (Audited)	**2,435,467**	**3,297,463**	**505,025**	**1,204,968**	**736,212**	**266,865**	**7,326,101**	**15,772,101**
Impact of adoption of IFRS 16 (note 3(d))	-	-	-	-	**15,824**	-	-	**15,824**
Balance at 1 January 2019 (adjusted)	**2,435,467**	**3,297,463**	**505,025**	**1,204,968**	**752,036**	**266,865**	**7,326,101**	**15,787,925**
Additions during the period	-	284,033	-	145,927	132,598	-	27,887	590,445
Balance at 30 September 2019 (Unaudited)	**2,435,467**	**3,581,496**	**505,025**	**1,350,895**	**884,634**	**266,865**	**7,353,988**	**16,378,370**

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6. PROPERTY AND EQUIPMENT (CONTINUED)

	Land	Buildings	Central district cooling system	Equipment	Furniture and fixtures and other assets	Infrastructure assets	Capital work in progress	Total
ACCUMULATED DEPRECIATION:								
Balance at 1 January 2018	-	19,465	45,503	26,006	64,050	15,538	-	170,562
Depreciation for the year	-	39,243	15,168	57,668	99,290	6,983	-	218,352
Transfer to investment properties (note 6(c))	-	(955)	-	(2,147)	-	-	-	(3,102)
Balance at 31 December 2018 (Audited)	-	**57,753**	**60,671**	**81,527**	**163,340**	**22,521**	-	**385,812**
Depreciation for the period	-	31,921	11,376	44,238	80,948	5,258	-	173,741
Balance at 30 September 2019 (Unaudited)	-	**89,674**	**72,047**	**125,765**	**244,288**	**27,779**	-	**559,553**
NET BOOK VALUE:								
At 30 September 2019 (Unaudited)	**2,435,467**	**3,491,822**	**432,978**	**1,225,130**	**640,346**	**239,086**	**7,353,988**	**15,818,817**
At 31 December 2018 (Audited)	2,435,467	3,239,710	444,354	1,123,441	572,872	244,344	7,326,101	15,386,289

6. PROPERTY AND EQUIPMENT (CONTINUED)

a. As at the reporting date investment properties and property and equipment includes assets under lease amounting in aggregate to SR 2,241 million (31 December 2018: SR 2,241 million) and SR 4,438 million (31 December 2018: SR 4,438 million) respectively. Details of these lease arrangements are as follows:

i. The Group signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC") an associate for the construction operation and maintenance of the District Cooling System ("DCS") for 26.5 years from the date of final commissioning of DCS which became effective 31 December 2014. The DCS is pledged against a loan obtained by CDCC. Since the Agreement with CDCC in respect of DCS contains lease arrangement hence it has been classified as a lease by the Group. At 30 September 2019 the net carrying amount of DCS was SR 607 million (31 December 2018: SR 618 million).

ii. During the period ended 31 December 2017 the Group signed a Sale Purchase Agreement (the "Agreement") with Alinma Investment Company ("AIC") for the sale of the properties to Alinma Makkah Real Estate Fund (the "Fund") a Fund incorporated in the Kingdom of Saudi Arabia as a closed ended fund managed by AIC (the "Fund Manager") at a sale price of SR 6 billion. In relation to the Agreement the Group signed other agreements through additional supplemental agreements namely Sale Undertaking Agreement Lease Agreement and Exclusive Sale Agency Agreement (together-with the Agreement termed as the "Arrangement") to complete the sale as one linked transaction.

The key features of the Arrangement are as follows:

- The Group sold the Properties at a price of SR 6 billion.
- The Group shall lease back the properties and manage them for a period of 10 years for a semi-annual rent of SR 270 million.
- The Group has a call option to buy back the properties from end of 5th year till 10th year effectively at SR 6 billion. In effect if the properties are bought back by the Group or sold to a third party the excess amount over SR 6 billion will be the right of the Group.
- Upon termination of the lease at the end of 10th year in case the properties remain unsold the Fund is free to sell the Properties to any third party. However, the Group will have the first right of offer.

The Arrangement has been accounted for as a Sale and Lease back based on the commercial substance of the transaction.

At 30 September 2019 the carrying amount of investment properties and property and equipment under the leaseback is SR 1,937 million and SR 2,888 million (31 December 2018: SR 2,181 million and SR 3,614 million). The Group has deferred the gain on disposal of the properties amounting to SR 1.83 Billion which is being amortized over the term of lease period of 10 years and classified as follows in the condensed consolidated statement of financial position:

- Long-term portion under other non-current liabilities amounting to SR 1.30 Billion (31 December 2018: SR 1.44 Billion)
- Current portion under accounts payable and other current liabilities amounting to SR 183 million. (31 December 2018: SR 183 million)

As at 30 September 2019 prepaid instalment on the lease amounting to SR 57 million (31 December 2018: SR 192 million) is classified under other current assets.

b. These represent amounts transferred to property for development and sale pertaining to assets determined by management to be used for future sale in the ordinary course of Group's operations.

c. These represent amounts transferred to investment properties pertaining to assets determined by management to be used for generating rental income.

6. PROPERTY AND EQUIPMENT (CONTINUED)

d. Property and equipment include right of use assets amounting to SR 3,804 million, included under the following categories:

	30 September 2019 (Unaudited)
Land	471,494
Building	1,857,260
Central district cooling system	432,980
Equipment	736,237
Furniture and fixtures and other assets	306,023
	3,803,994

7. CASH AND CASH EQUIVALENTS

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Cash on hand	285	436
Cash deposit	-	160,964
Cash at banks (see note (a) below)	1,044,088	1,396,564
	1,044,373	1,557,964
Less: Restricted cash - non-current (see note (a) below)	(242,590)	(342,590)
Less: Restricted cash - current (see note (a) below)	(582,602)	(573,060)
Cash and cash equivalents	219,181	642,314

a) Cash at banks includes an amount of SR 87 million placed in Murabaha deposits with commercial banks having original maturity of three to six months (31 December 2018: SR 805 million) and yielding profit at prevailing market rate. However, these Murabaha deposits are restricted under reserve accounts as per the agreement under corresponding arrangement.

8. INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	Carrying value as at (SR '000)		Unrealized gain as at (SR '000)	
		30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Alinma Makkah Real Estate Fund	8a	1,215,000	1,000,000	215,000	-
Al Bilad Makkah Hospitality Fund	8b	325,800	220,000	105,800	-
		1,540,800	1,220,000	320,800	-

8. INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

a) This represents investment in 100 million units (31 December 2018: 100 million units) of the investee, which is a closed ended fund domiciled in KSA and managed by Alinma Investment Company. The main asset of the investee is represented by finance lease receivables pertaining to the sale and leaseback of certain properties located in Makkah. The investee prepares and publishes financial statements on a semi-annual basis under which its net asset value is reported as per historical carrying values of its underlying assets and liabilities. As at 31 December 2018, due to recent date of incorporation of the investee and in lieu of the non-availability of alternative valuation basis, the Group had valued its investment in Alinma Fund with reference to its net asset value as per latest available financial statements. During the nine months period ended 30 September 2019 as a result of the availability of additional information regarding the investee, such as annual published financial statements, the Group has endeavored to refine its fair value estimate using adjusted net asset value approach via an independent valuation expert. Based on the foregoing, management has determined a net asset value of SR 12.15 to be the best estimate of fair value of the investee as at 30 September 2019. As a result, the investment has moved from level 2 to level 3 of the fair value hierarchy during the nine months period ended 30 September 2019. Significant unobservable inputs used in the valuation include fair value of investee's major asset (estimated using contractual cash flows and terminal value of the asset discounted at risk adjusted discount rate).

Moreover, as at 30 September 2019, a reasonably possible change in the most sensitive input (represented by the fair value of investee's major asset) used in the valuation technique, while keeping all other inputs and assumptions constant, would have yielded the following results:

	Effect on profit and loss (SR '000)	
	Increase	**Decrease**
1%(100bps) change in discount	74,823	(68,793)

b) This represents investment in 20 million units (31 December 2018: 20 million units) of the investee which is a private placement closed ended real estate investment fund domiciled in KSA and managed by Al Bilad Investment Company. The objective of the investee is to acquire interest in properties situated in Makkah in order to generate income and capital growth. The main assets of the investee are represented by investment properties. The investee prepares and publishes financial statements on semi-annual basis under which it reports net asset value of the fund based on the fair value of these investment properties, as determined by two independent valuers (referred to as 'Indicative NAV'). Since the units of the fund are traded with reference to such Indicative NAV, management believes that it is a reasonable approximation of the fair value of the investee. As per the latest reviewed financial statements of the investee for the six months period ended 30 June 2019, the Indicative NAV per unit amounts to SR 16.29(31 December 2018: SR 15.87), which has accordingly been used as a valuation basis of the Group's investment as at 30 September 2019.

9. PROPERTY FOR DEVELOPMENT AND SALE

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Opening balance	**1,508,443**	313,605
Transferred from property and equipment (note 6(b))	**155,381**	1,674,761
Additions during the period / year	-	28,366
	1,663,824	2,016,732
Less: Transferred to cost of revenue	**(34,784)**	(508,289)
	1,629,040	1,508,443

Expressed in Saudi Riyal "000" unless otherwise stated

10. ACCOUNTS AND OTHER RECEIVABLES

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Accounts receivable	384,254	390,046
Accrued rental income (see note (a) below)	7,145	3,259
Less: Allowance for expected credit losses ('ECL')	(12,104)	(12,104)
	379,295	381,201
Bank margin against letter of guarantees	14,571	14,571
Other receivables	12,680	4,440
	406,546	400,212

a) As at 30 September 2019, allowance for ECL against overdue receivables amounts to SR 12.1 million (31 December 2018: SR 12.1 million).

11. INVESTMENT IN AN ASSOCIATE

The represents 40% investment in Central District Cooling Company ('CDCC'). During the period ended 31 December 2018, the Board of Directors of the Group approved the sale of Company's ownership in CDCC. Accordingly, the associate was classified as held for sale as at the end of that period. During the period ended 30 June 2019, the Board of Directors of the Group in their meeting held on 12 March 2019 reassessed the earlier approved sale of investment in associate and resolved not to sell the investment. As a result, the investment no longer meets the criteria for classification as held for sale. Accordingly, the investment has been carried at its equity accounted value as of 30 September 2019 and share of results of investment in associate from the date of classification as held for sale up to 30 September 2019 have been recognized during the nine months period ended 30 September 2019.

12. LOANS AND BORROWINGS

Details of the Group's loans and borrowings are as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Gross Proceeds	9,778,796	9,116,760
Less: Deferred financial charges	(41,727)	(38,080)
Accrued financial charges	292,391	193,533
	10,029,460	9,272,213
Less: Current portion	(4,302,552)	(3,613,183)
Non-current portion	5,726,908	5,659,030

a) Movement in term loans for the period / year is as follows:

	Period from 1 January 2019 to 30 September 2019 (Unaudited)	For the year ended 31 December 2018 (Audited)
Opening balance	9,272,213	8,320,056
Drawdowns during the period / year	1,390,235	1,466,025
Repayments during the period / year	(632,988)	(513,868)
Closing balance	10,029,460	9,272,213

As at 30 September 2019, current portion incudes an amount of SR 3 billion due to Ministry of finance and other financers which is under renegotiation. As detailed in note 1, the negotiations are at an advanced stage and expected to be completed in due course. As a result, the Group expects deferment in these current obligations so as to ensure alignment with its future operational flows.

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13. LIABILITIES AGAINST LEASES

The liabilities against lease are as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Total lease payments under leases	11,323,253	12,152,526
Finance charges	(4,691,670)	(5,523,014)
	6,631,583	6,629,512
Less: Current portion	(23,096)	(17,909)
Non-current portion	6,608,487	6,611,603

14. OTHER INCOME, NET

	For the three months period ended		For the nine months period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Amortization of deferred gain (note 6(a)ii)	46,184	46,184	137,046	137,046
Income from FVTPL investments (note 8)	28,804	-	381,467	40,000
Others, net	4,420	3,094	(9,079)	(57,375)
	79,408	49,278	509,434	119,671

15. FINANCIAL CHARGES

	For the three months period ended		For the nine months period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Leases	138,209	138,320	414,688	413,875
Loans and borrowings	37,306	18,594	96,661	45,455
	175,515	156,914	511,349	459,330

16. ZAKAT

The Group has submitted Zakat returns with General Authority of Zakat and Tax ("GAZT") up to and including the year 2017 and obtained restricted Zakat certificate. Moreover, GAZT has issued Zakat assessments for the period from 1427H to 1433H resulting in additional Zakat demand of SR 48.3 million. The Group has filed an appeal with GAZT in respect of the additional Zakat liability and is expecting a favorable outcome.

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17. RELATED PARTIES

In the ordinary course of its business the Group transacts with related parties which are based on prices and terms approved by the management.

The following are the details of major related party transactions during the period and the related balances at period end:

		For the nine months period ended	
Related party	**Nature of transaction**	**30 September 2019**	30 September 2018
Bank Al Bilad - affiliate	- Finance cost on loan from a local bank	**32,027**	38,005
Alinma Makkah Real Estate Fund - affiliate	- Lease charges	**405,000**	405,000
Senior management employees	- Short-term employee benefits	**5,461**	3,909
	- Post-employment benefits	**94**	152
BOD	BOD Meeting attendance fee	**2,509**	317
Central District Cooling Group - associate	Cooling charges	**55,465**	76,415

Balances arising from transactions with related parties are as follows	**30 September 2019 (Unaudited)**	31 December 2018 (Audited)
a) Due from Related parties		
• Alinma Makkah Real Estate Fund	**110,000**	110,000
• Al-Bilad Makkah hospitality fund	**-**	45,894
Classified under accounts and other receivable	**110,000**	155,894
• Cash on current accounts with Bank Al Bilad - *classified under cash and cash equivalents*	**7,193**	12,528
Total due from related parties	**117,193**	168,422

b) Due to related parties	**30 September 2019 (Unaudited)**	31 December 2018 (Audited)
• Central District Cooling Group *Classified under accounts payable and other current liabilities*	**20,011**	25,362
• Makkah Construction and Development Group - *classified under other non-current liabilities*	**309,565**	309,565
• Loan from Bank Al Bilad - *classified under loans and borrowings*	**572,984**	632,043
Total due to related parties	**902,560**	966,970

Expressed in Saudi Riyal "000" unless otherwise stated

18. SEGMENT REPORTING

Basis for segmentation

The Group has the following five strategic divisions which are its reportable segments. These divisions offer different products and services and are managed separately. The following summary describes the operations of each reportable segment.

Reportable segments	**Operations**
Operating Hotels	Includes leasing rooms and selling food and beverages ("the Hotel").
Commercial centers	Includes operating and leasing commercial shopping malls ("the Commercial Centers").
Property for development and sale	Includes construction and development of property and sale of completed dwellings.
Property under construction	Includes construction and development activities of Hotels under all phases.
Corporate (Head office)	Activities of corporate office including selling and marketing.

	For the nine months period ended 30 September 2019					
	Operating Hotels	*Commercial Centres*	*Property for development and sale*	*Property under construction*	*Corporate*	*Total*
Statement of financial position items as at 30 September 2019:						
Total Current assets	175,148	61,221	1,726,594	-	968,411	2,931,374
Property and equipment	8,404,086	409	-	7,353,989	60,332	15,818,817
Investment properties	1,737,878	2,871,906	-	3,282,014	-	7,891,798
All other non-current assets	-	-	-	-	2,199,472	2,199,472
Total liabilities	4,659,800	2,987,079	33,983	9,007,152	2,584,744	19,272,758
Statement of profit or loss and other comprehensive income items for the nine months period ended 30 September 2019 :						
Revenues from operations	542,109	105,172	67,648	-	-	714,929
Total comprehensive (loss) / income	(126,410)	(70,647)	63,660	-	84,943	(48,454)

	For the nine months period ended 30 September 2018					
	Operating Hotels	*Commercial Centres*	*Property for development and sale*	*Property under construction*	*Corporate*	*Total*
Statement of financial position items as at 31 December 2018:						
Total Current assets	210,828	55,659	1,560,181	-	1,665,165	3,491,833
Property and equipment	8,034,145	483	-	7,326,101	25,560	15,386,289
Investment properties	1,764,743	2,890,001	-	2,999,052	-	7,653,796
All Other non-current assets	-	-	-	-	2,005,522	2,005,522
Total Liabilities	4,733,100	3,047,289	30,739	9,064,556	1,878,526	18,754,210
Statement of profit or loss and other comprehensive income items for the nine months period ended to 30 September 2018:						
Revenues from operations	512,098	97,367	1,105,573	-	-	1,715,038
Total comprehensive income / (loss)	(193,408)	(97,113)	632,972	-	(148,394)	194,057

19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 30 October 2019 corresponding to 02 Rabi Al-Awwal 1441.