Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three- and nine-months periods ended 30 September 2022

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the period ended 30 September 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Introduction:
We have reviewed the accompanying interim condensed consolidated statement of financial position of Dur Hospitality Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2022, and the related interim condensed consolidated statement of comprehensive income for the three and nine months periods ended 30 September 2022, and the related interim condensed consolidated changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:
We conducted our review in accordance with International Standard on Review Engagements 2410,"Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily from 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.

Basis for Qualified Conclusion:
As stated in note (22.C) to the interim condensed consolidated financial statements, the Company is disputing the validity of two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Company filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for the Resolution of Securities Disputes ("the CRSD"). On 14 February 2022, the CRSD has issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations ("CBFDV"). On 10 March 2022, The Company filed a new lawsuit before the CBFDV to revoke the agreements. The new lawsuit is still at the preliminary stage and the potential outcome cannot be reasonably estimated at this stage. Had these agreements been accounted for in the interim condensed consolidated financial statements, the net income for the three and nine months periods ended 30 September 2022 would be higher by SR 3.97 million and SR 32.72 million, respectively (for the three and nine months periods ended 30 September 2021: net income would be higher by SR 0.746 million and SR 7.82 million respectively), the net equity as of 30 September 2022 would be lower by SR 33.93 million (the net equity as of 31 December 2021 and 1 January 2021 would be lower by SR 66.7 million SR 83.1 million, respectively). Our audit opinion for the year ended 31 December 2021 and our review conclusion for the prior period ended 30 September 2021 have been qualified on the same matter.

Qualified Conclusion:
Based on our review, except for the effect of the matter described above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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

Riyadh: 12 Rabi Al-Thani 1444H
(6 November 2022)

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Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	Note	***30 September 2022 (Unaudited) SR***	*31 December 2021 (Audited) SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**84,073,266**	91,647,932
Trade receivables	6	**146,869,161**	145,241,390
Prepayments and other current assets	7	**98,462,773**	95,102,175
Inventories		**20,094,271**	17,105,511
TOTAL CURRENT ASSETS		**349,499,471**	349,097,008
NON-CURRENT ASSETS			
Investments at fair value through other comprehensive income (FVOCI)		**2,101,657**	2,101,657
Investments in equity accounted investees		**31,877,649**	17,422,653
Right of use assets	8	**205,463,164**	229,561,108
Property and equipment	9	**2,653,631,158**	2,711,490,174
Projects under construction	10	**211,398,104**	95,507,055
TOTAL NON-CURRENT ASSETS		**3,104,471,732**	3,056,082,647
TOTAL ASSETS		**3,453,971,203**	3,405,179,655
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Term loans – current portion	12	**200,242,984**	271,761,088
Lease liabilities - current portion	13	**33,468,582**	43,343,159
Trade payable		**31,808,752**	41,327,895
Accrued expenses and other current liabilities	11	**166,800,825**	161,588,296
Due to related parties		**35,900,233**	37,158,747
Dividends payable	16	**43,659,810**	43,939,294
Provision for zakat	14	**11,205,335**	13,662,198
TOTAL CURRENT LIABILITIES		**523,086,521**	612,780,677
NON-CURRENT LIABILITIES			
Term loans – non-current portion	12	**889,713,146**	745,510,575
Lease liabilities – non-current portion	13	**295,479,889**	302,309,776
Employees' terminal benefits liabilities		**61,420,337**	61,597,789
TOTAL NON-CURRENT LIABILITIES		**1,246,613,372**	1,109,418,140
TOTAL LIABILITIES		**1,769,699,893**	1,722,198,817
EQUITY			
Share capital	15	**1,000,000,000**	1,000,000,000
Statutory reserve		**500,000,000**	500,000,000
Retained earnings		**130,666,358**	128,491,258
Revaluation reserve of investment at fair value through OCI		**(4,898,343)**	(4,898,343)
Total equity attributable to shareholders of the parent company		**1,625,768,015**	1,623,592,915
Non-controlling interest		**58,503,295**	59,387,923
TOTAL EQUITY		**1,684,271,310**	1,682,980,838
TOTAL LIABILITIES AND EQUITY		**3,453,971,203**	3,405,179,655

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three- and nine-months periods ended 30 September 2022

		For the three-months period ended 30 September		*For the nine-months period ended 30 September*	
		2022	*2021*	***2022***	*2021*
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	Note	***SR***	*SR*	***SR***	*SR*
REVENUES					
Hospitality income	17	**87,082,213**	85,253,425	**292,897,609**	237,113,857
Rental income	17	**32,557,792**	31,463,558	**95,840,874**	92,542,462
Management fees income	17	**1,020,897**	282,803	**2,366,018**	1,085,487
TOTAL REVENUE		**120,660,902**	116,999,786	**391,104,501**	330,741,806
Cost of revenue	18	**(101,755,044)**	(102,821,160)	**(317,635,019)**	(301,553,774)
GROSS PROFIT		**18,905,858**	14,178,626	**73,469,482**	29,188,032
EXPENSES					
Selling and marketing expenses		**(709,343)**	(584,331)	**(2,253,602)**	(1,103,354)
General and administrative expenses	19	**(8,812,274)**	(8,969,108)	**(29,787,999)**	(21,307,326)
TOTAL EXPENSES		**(9,521,617)**	(9,553,439)	**(32,041,601)**	(22,410,680)
OPERATING INCOME		**9,384,241**	4,625,187	**41,427,881**	6,777,352
Financial charges		**(11,680,042)**	(5,800,422)	**(29,365,087)**	(17,408,365)
Financial charges on lease liabilities	13	**(3,564,879)**	(3,763,534)	**(10,543,953)**	(10,911,088)
Financial income		**60,794**	176,136	**88,664**	209,494
Other income, net	20	**106,284**	59,448	**3,067,261**	17,000,867
Share of results of equity accounted investees		**592,000**	-	**1,185,556**	-
INCOME / (LOSS) BEFORE ZAKAT		**(5,101,602)**	(4,703,185)	**5,860,322**	(4,331,740)
Zakat	14	**(1,508,851)**	(1,445,879)	**(4,569,850)**	(4,115,137)
NET INCOME / (LOSS) FOR THE PERIOD		**(6,610,453)**	(6,149,064)	**1,290,472**	(8,446,877)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		**(6,610,453)**	(6,149,064)	**1,290,472**	(8,446,877)
Attributable to:					
Equity holders of the parent		**(6,045,418)**	(6,268,869)	**2,175,100**	(8,138,230)
Non-controlling interests		**(565,035)**	119,805	**(884,628)**	(308,647)
		(6,610,453)	(6,149,064)	**1,290,472**	(8,446,877)
EARNINGS (LOSSES) PER SHARE					
Basic and diluted earnings per share attributable to equity holders of the parent	21	**(0.06)**	(0.06)	**0.02**	(0.08)

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-months period ended 30 September 2022

		Attributable to the shareholders of the Parent Company							
	Note	*Share capital SR*	*Statutory reserve SR*	*Consensual reserve SR*	*Retained earnings SR*	*Revaluation reserve of investment at fair value through OCI SR*	*Total SR*	*Non-controlling interests SR*	*Total equity SR*
For the nine-month period ended 30 September 2022									
At 1 January 2022 (audited)		**1,000,000,000**	**500,000,000**	**-**	**128,491,258**	**(4,898,343)**	**1,623,592,915**	**59,387,923**	**1,682,980,838**
Total comprehensive income for the period		**-**	**-**	**-**	**2,175,100**	**-**	**2,175,100**	**(884,628)**	**1,290,472**
As at 30 September 2022 (Unaudited)		**1,000,000,000**	**500,000,000**	**-**	**130,666,358**	**(4,898,343)**	**1,625,768,015**	**58,503,295**	**1,684,271,310**
For the nine-month period ended 30 September 2021									
At 1 January 2021 (audited)		1,000,000,000	500,000,000	143,002,490	1,384,928	(5,057,678)	1,639,329,740	58,400,231	1,697,729,971
Total comprehensive loss for the period		-	-	-	(8,138,230)	-	(8,138,230)	(308,647)	(8,446,877)
At 30 September 2021 (unaudited)		1,000,000,000	500,000,000	143,002,490	(6,753,302)	(5,057,678)	1,631,191,510	58,091,584	1,689,283,094

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-months period ended 30 September 2022

	Note	*For the nine-months period ended 30 September* **2022 SR (Unaudited)**	*2021 SR (Unaudited)*
OPERATING ACTIVITIES			
Income / (loss) before zakat		**5,860,322**	(4,331,740)
Adjustments for:			
Provision (reversal) of expected credit losses on trade receivables	6	**3,447,164**	(2,340,336)
Depreciation of right of use assets	13	**10,140,409**	11,727,800
Depreciation of property and equipment	9	**76,347,463**	73,059,461
COVID-19 related rent concession	20	**(251,035)**	-
Provision for slow moving inventories		**-**	37,940
Provision for employees' terminal benefits		**9,255,653**	6,970,305
Gain on disposal of property and equipment		**(95,858)**	(172,841)
Financial charges on term loans		**26,664,188**	17,408,365
Share of results of equity accounted investees		**(1,185,556)**	-
Financial charges on lease liabilities	13	**10,543,953**	10,911,088
		140,726,703	113,270,042
Working capital adjustments:			
Trade receivables		**(5,074,935)**	(23,060,165)
Prepayments and other current assets		**(3,360,598)**	22,455,323
Inventories		**(2,988,760)**	396,672
Trade payables		**(9,519,143)**	(64,638)
Accrued expenses and other current liabilities		**(4,339,693)**	(267,311)
Due to related parties		**(1,258,514)**	(527,600)
Cash from operations		**114,185,060**	112,202,323
Zakat paid	14	**(7,026,713)**	(5,457,883)
Employees' terminal benefits paid		**(9,433,105)**	(7,382,171)
Net cash from operating activities		**97,725,242**	99,362,269
INVESTING ACTIVITIES			
Additions to property and equipment	9	**(13,921,214)**	(48,694,817)
Additions to projects under construction	10	**(119,473,221)**	(15,957,954)
Additional investment in equity accounted investees		**(17,019,440)**	(12,250)
Proceeds from investment in equity accounted investees		**3,750,000**	-
Proceeds from sale of property and equipment		**713,691**	370,000
Net cash used in investing activities		**(145,950,184)**	(64,295,021)
FINANCING ACTIVITIES			
Proceeds from long-terms loans		**192,351,405**	130,070,469
Repayments of long-terms loans		**(119,666,938)**	(129,326,119)
Dividends paid		**(279,484)**	(288,204)
Payments of lease liabilities		**(13,957,329)**	(18,322,287)
Financial charges paid		**(17,797,378)**	(16,082,446)
Net cash from (used in) financing activities		**40,650,276**	(33,948,587)
Net (decrease) increase in cash and cash equivalents		**(7,574,666)**	1,118,661
Cash and cash equivalents at 1 January		**91,647,932**	94,828,467
Cash and cash equivalents at the end of the period	5	**84,073,266**	95,947,128
NON-CASH TRANASCATIONS:			
Finance cost on lease capitalized in projects under construction		**678,777**	668,497
Finance cost on term loans capitalized in projects under construction		**685,412**	-
Depreciation of right of use assets capitalized in projects under construction		**238,705**	238,468

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

1 ACTIVITIES

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 land and providing services for pilgrims and visitors to Prophet's (PBUH) Mosque. The Company carries out these activities directly or jointly with others jointly or separately.

These interim condensed consolidated financial statements include the financial information of the Company and the following subsidiaries (together referred to as the “Group”):

		Direct and Indirect Ownership %	
Subsidiaries	***Share capital (SR)***	***30 September 2022***	*31 December 2021*
Makkah Hotels Company Limited	165,600,000	**99.44%**	99.44%
Saudi Hotel Services Company Limited	70,000,000	**70.00%**	70.00%
Alnakheel for Tourist Areas Company Limited	59,250,000	**98.73%**	98.73%
Nuzul Shada Hospitality Company	40,000,000	**60.00%**	60.00%
Tabuk Hotels Company Limited	27,300,000	**97.14%**	97.14%
Jude Alia Company Limited	100,000	**99.00%**	99.00%
Almasdar Alamny Company Limited	100,000	**95.00%**	95.00%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95.00%**	95.00%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	**100.00%**	100.00%
Dara Oasis Company Limited (One Person Company)	100,000	**100.00%**	100.00%
Almashrouat Almethaleyah Real Estate Company (One Person Company)	100,000	**100.00%**	100.00%
Alsarh Alaniq Operation and Maintenance Company (One Person Company)	100,000	**100.00%**	100.00%

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 and is engaged in hotel hospitality activity. 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 Jumada Thani 1413H (corresponding to 17 December 1992). The company owns Makarem Alnakheel Hotel and Resort in Jeddah.

Nuzul Shada Hospitality Company
Nuzul Shada Hospitality Company is a Saudi limited liability company and is registered under the Commercial Registration number 4030166369 dated 8 Muharram 1428H (corresponding to 27 January 2007). The company is engaged in general construction of residential buildings, management and leasing of owned and leased real estate (residential), and management and leasing of real estate owned or leased (non-residential).

1 ACTIVITIES (Continued)

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.

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.

Almashrouat Almethaleyah Real Estate Company
Almashrouat Almethaleyah Real Estate Company (one-person company) is a Saudi limited liability company registered under CR No. 1010596957 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is the management and leasing of owned or leased residential and non-residential properties.

Alsarh Alaniq Operation and Maintenance Company
Alsarh Alaniq operation and maintenance Company (one-person company) is a Saudi limited liability company registered under CR No. 1010596958 on 30 Muharram 1441H (corresponding to 29 September 2021). The main activity of the company is cleaning of new buildings after construction.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim condensed consolidated financial statements do not include all information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended 31 December 2021.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment at FVOCI which is measured at fair value and employees' terminal benefits which are measured under projected credit unit method. Further, these interim condensed consolidated financial statements have been prepared using accrual basis of accounting and going concern concept.

2.3 Functional and presentation currency

The interim condensed consolidated financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Group.

2.4 Changes in significant accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as were applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2021.

Certain comparative numbers have been reclassified to conform with the current period presentation.

The Group applied for the first-time the following standards and amendments, which are effective for annual periods beginning on or before 1 January 2022 which had no material impact on the Group's interim condensed consolidated financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in significant accounting policies (continued)

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

2.5 Standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which will be effective from periods after January 1, 2022. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Amendments to IAS 1, Presentation of financial statements’, on classification of liabilities
These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

Right to defer settlement
The Board decided that if an entity’s right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period
The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Effective date is annual periods beginning on or after 1 January 2023.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Effective date is annual periods beginning on or after 1 January 2023.

IFRS 17, ‘Insurance contracts’, as amended in June 2020
The amendment relates to insurers’ transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

Effective date is annual periods beginning on or after 1 January 2023.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Standards issued but not yet effective (continued)

Definition of Accounting Estimates - Amendments to IAS 8
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Effective date is annual periods beginning on or after 1 January 2023.

Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction
These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Effective date is annual periods beginning on or after 1 January 2023.

3 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, management has made certain judgments, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. The differences arising on revisions to estimates are recognised prospectively.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's annual condensed consolidated financial statements.

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 the 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 utilize 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.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and 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 Discounted Cash Flow model ("DCF"). 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 performance of the assets 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.

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES (CONTINUED)

Impairment of trade receivables
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 its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Provision for employees' end of service benefits
The Employees' defined benefit obligations are 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 DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Useful lives and residual values of property and equipment
The useful life of each item of the Group's property, plant and equipment is estimated based on the period during which the asset is expected to be available for use. This estimate is based on a collective evaluation of practices in similar businesses, internal technical evaluation, past experience with similar assets and application of judgments when the asset becomes available for use and computation of the depreciation cost.

The estimated useful life of each asset is periodically reviewed and updated in the event that expectations differ from previous estimates as a result of normal depreciation of the asset, technical and commercial obsolescence, legal or other restrictions on the use of the asset. Any change in the estimated useful life or depreciation pattern will be accounted for prospectively.

Going concern
These interim condensed consolidated financial statements have been prepared under the going concern basis. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

4 OPERATING SEGMENTS

The Group has the following three 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 comprise residential compounds and commercial complexes.
Others	**:**	represents corporate office and other support services departments.

4 OPERATING SEGMENTS (CONTINUED)

Following is a summary of certain financial information for the two periods ended 30 September 2022 and 2021:

30 September 2022 (Unaudited)	*Hospitality SR*	*Property management SR*	*Property rental SR*	*Others SR*	*Eliminations SR*	*Total SR*
Revenue from external customers	**292,897,609**	**2,366,018**	**95,840,874**	**-**	**-**	**391,104,501**
Inter-segment revenue	**1,690,000**	**12,253,621**	**5,560,158**	**-**	**(19,503,779)**	**-**
Cost of revenue	**299,621,198**	**3,099,476**	**34,114,374**	**-**	**(19,200,029)**	**317,635,019**
Gross profit	**(5,033,589)**	**11,520,163**	**67,286,658**	**-**	**(303,750)**	**73,469,482**
Depreciation of property and equipment and right of use assets	**68,377,727**	**-**	**18,110,145**	**-**	**-**	**86,487,872**
Property and equipment	**1,776,458,176**	**-**	**877,172,982**	**-**	**-**	**2,653,631,158**
Right of use assets	**186,590,067**	**-**	**18,873,097**	**-**	**-**	**205,463,164**
Projects under construction	**168,263,380**	**-**	**43,134,724**	**-**	**-**	**211,398,104**
Total assets	**1,048,536,265**	**7,195,350**	**1,736,846,994**	**661,392,594**	**-**	**3,453,971,203**
Total liabilities	**1,602,643,860**	**13,701,925**	**153,142,244**	**211,864**	**-**	**1,769,699,893**

30 September 2021 (Unaudited)	*Hospitality SR*	*Property management SR*	*Property rental SR*	*Others SR*	*Eliminations SR*	*Total SR*
Revenue from external customers	237,113,857	1,085,487	92,542,462	-	-	330,741,806
Inter-segment revenue	2,384,726	11,835,823	5,196,233	-	(19,416,782)	-
Cost of revenue	284,245,627	2,442,833	33,978,346	-	(19,113,032)	301,553,774
Gross profit / (loss)	(44,747,044)	10,478,477	63,760,349	-	(303,750)	29,188,032
Depreciation of property and equipment and right of use assets	67,609,119	-	17,178,142	-	-	84,787,261
Property and equipment	1,768,744,728	-	900,662,927	-	-	2,669,407,655
Right of use assets	245,059,286	-	19,317,307	-	-	264,376,593
Projects under construction	133,465,628	-	6,337,647	-	-	139,803,275
Total assets	1,204,343,796	4,679,857	1,597,036,653	646,992,878	-	3,453,053,184
Total liabilities	1,601,610,037	11,607,695	149,642,864	909,494	-	1,763,770,090

Reconciliation of information on reportable segments to income / (loss) before zakat of the Group:

	For the nine-months period ended 30 September	
	2022 (Unaudited) SR	*2021 (Unaudited) SR*
Segments gross profit	**73,469,482**	29,188,032
Un-allocated amounts:		
Selling and marketing expenses	**(2,253,602)**	(1,103,354)
General and administrative expenses	**(29,787,999)**	(21,307,326)
Financial income	**88,664**	209,494
Financial charges	**(29,365,087)**	(17,408,365)
Financial charges on lease liabilities	**(10,543,953)**	(10,911,088)
Other income, net	**3,067,261**	17,000,867
Share of results of equity accounted investees	**1,185,556**	-
Total un-allocated amounts	**(67,609,160)**	(33,519,772)
INCOME / (LOSS) BEFORE ZAKAT	**5,860,322**	(4,331,740)

5 CASH AND CASH EQUIVALENTS

	30 September 2022 (Unaudited) SR	*31 December 2021 SR*
Bank balances	**73,327,356**	73,860,474
Short-term deposits (a)	**10,000,000**	17,000,000
Cash on hand	**745,910**	787,458
	84,073,266	91,647,932

(a) Short term deposits represent Murabaha deposits with commercial banks and the maturity average of those deposits ranges between 30 to 90 days and bears an average Murabaha commission of 178 basis points. Financial income for the nine-months period ended 30 September 2022 amounted SR 88,664 (30 September 2021: SR 209,494).

(b) As at 30 September 2022, the Group has available cash facilities amounting SR 152.1 million (31 December 2021: SR 171.3 million) representing unwithdrawn cash from the bank facilities granted.

(c) The transactions mentioned in note 22, include an overdraft US dollar bank account amounting to SR 36.68 million as of 30 September 2022 (31 December 2021: SR 20.83 million) with the financial institution. Further, amounts aggregating of SR 3.01 million (31 December 2021: nil) have been received in one of the bank accounts of the Group in relation to these arrangements. The Group did not use or account for either of these amounts in these interim condensed consolidated financial statements.

6 TRADE RECEIVABLES

	30 September 2022 **SR**	*31 December 2021* SR
Trade receivables	**175,331,605**	170,475,362
Provision for expected credit loss	**(28,462,444)**	(25,233,972)
	146,869,161	145,241,390

Movement in provision for expected credit loss as of 30 September 2022 and 31 December 2021 is as follow:

	30 September 2022 SR	*31 December 2021 SR*
At 1 January	**25,233,972**	26,445,793
Charge for the period/year	**3,447,164**	738,991
Recovered during the period/year	**(218,692)**	(1,473,173)
Bad debts written off during the period/year	**-**	(477,639)
At the end of the period/year	**28,462,444**	25,233,972

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	30 September 2022 SR	*31 December 2021 SR*
Advance for rent (note (a))	**58,818,607**	58,818,607
Prepayments	**8,171,163**	10,978,260
Contract assets	**6,086,521**	5,769,217
Advances to suppliers	**4,034,232**	2,034,216
Amounts due from related parties	**4,193,998**	3,710,899
Advances to employees	**3,586,962**	3,310,210
Advance payment for real estate projects	**1,796,104**	1,796,104
Others	**11,775,186**	8,684,662
	98,462,773	95,102,175

(a) Advance for rent represents a payment to lease a hotel building in Makkah Al-Mukaramah for period a of three and a half years. The Company terminated the lease contract during 2020 and the amount will be recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. The management believes that the amount is fully recoverable as it is secured through collateral on the title deed of the hotel's land owned by the lessor. During 2021, the Company filed a lawsuit against the lessor to enforce the collateral on the hotel land to recover the advance for rent. Management expects the amount to be collected within a period of twelve months.

8 RIGHT OF USE ASSETS

The Group leases several assets including lands and buildings. Details about the assets leased by the Group are as follows:

30 September 2022	***Lands SR***	***Buildings SR***	***Total SR***
Cost:			
At 1 January	**54,973,553**	**221,127,829**	**276,101,382**
Lease adjustments (a)	**-**	**(13,718,830)**	**(13,718,830)**
At 30 September	**54,973,553**	**207,408,999**	**262,382,552**
Depreciation:			
At 1 January	**5,710,560**	**40,829,714**	**46,540,274**
Charge for the period	**1,788,276**	**8,590,838**	**10,379,114**
At 30 September 2022	**7,498,836**	**49,420,552**	**56,919,388**
Net book value:			
As at 30 September 2022	**47,474,717**	**157,988,447**	**205,463,164**

8 RIGHT OF USE ASSETS (CONTINUED)

	Lands	*Buildings*	*Total*
31 December 2021	*SR*	*SR*	*SR*
Cost:			
As at 1 January	54,973,553	259,721,033	314,694,586
Additions during the year	-	19,809,907	19,809,907
Lease adjustments (a)	-	(58,403,111)	(58,403,111)
As at 31 December 2021	54,973,553	221,127,829	276,101,382
Depreciation:			
As at 1 January	3,327,440	31,958,667	35,286,107
Charge for the year	2,383,120	11,984,301	14,367,421
Lease adjustment (a)	-	(3,113,254)	(3,113,254)
At 31 December 2021	5,710,560	40,829,714	46,540,274
Net book value:			
As at 31 December 2021	49,262,993	180,298,115	229,561,108

(a) Lease settlement adjustments represent changes made to lease payments and terms agreed upon with the lessor.

(b) The leases do not include guarantees given by the Group against the residual value of the assets. There are no leases that the Group has committed to, and the properties have not been delivered to the Group.

9 PROPERTY AND EQUIPMENT

The estimated useful life of the assets for the calculation of depreciation is:

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

30 September 2022	*Lands* *SR*	*Buildings* *SR*	*Buildings improvements* *SR*	*Furniture* *SR*	*Motor vehicles* *SR*	*Machinery and equipment* *SR*	*Elevators and central air conditioning* *SR*	***Total*** ***SR***
Cost:								
At 1 January	**744,072,519**	**2,173,942,670**	**142,337,318**	**403,458,073**	**7,783,678**	**187,653,667**	**114,813,941**	**3,774,061,866**
Additions	**-**	**2,521,000**	**3,529,832**	**2,051,220**	**135,350**	**5,535,562**	**148,250**	**13,921,214**
Disposals	**-**	**-**	**-**	**(14,352,616)**	**(450,096)**	**(551,619)**	**(347,143)**	**(15,701,474)**
Transfer from projects under construction (note 10)	**-**	**-**	**3,122,634**	**1,592,523**	**-**	**469,909**	**-**	**5,185,066**
At 30 September 2022	**744,072,519**	**2,176,463,670**	**148,989,784**	**392,749,200**	**7,468,932**	**193,107,519**	**114,615,048**	**3,777,466,672**
Depreciation:								
At 1 January	**-**	**576,651,826**	**93,874,820**	**265,993,909**	**7,036,576**	**79,037,544**	**39,977,017**	**1,062,571,692**
Charge for the period	**-**	**31,552,824**	**8,530,462**	**19,244,787**	**170,389**	**14,241,104**	**2,607,897**	**76,347,463**
Disposals	**-**	**-**	**-**	**(13,853,117)**	**(450,096)**	**(442,497)**	**(337,931)**	**(15,083,641)**
At 30 September 2022	**-**	**608,204,650**	**102,405,282**	**271,385,579**	**6,756,869**	**92,836,151**	**42,246,983**	**1,123,835,514**
Net book value:								
As at 30 September 2022	**744,072,519**	**1,568,259,020**	**46,584,502**	**121,363,621**	**712,063**	**100,271,368**	**72,368,065**	**2,653,631,158**

9 PROPERTY AND EQUIPMENT (CONTINUED)

31 December 2021	*Lands*	*Buildings*	*Building improvements*	*Furniture*	*Motor vehicles*	*Machinery and equipment*	*Elevators and central air conditioning*	***Total***
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	***SR***
Cost:								
At the beginning of the year	738,422,519	2,127,035,874	137,403,102	379,519,249	7,421,172	168,217,036	113,134,640	**3,671,153,592**
Additions	5,650,000	31,020,660	7,310,577	7,004,968	425,506	13,188,042	43,512	**64,643,265**
Disposals	-	-	(3,345,686)	(3,490,800)	(63,000)	(3,709,346)	-	**(10,608,832)**
Transfer from projects under construction (note 10)	-	22,562,604	969,325	20,424,656	-	9,957,935	1,635,789	**55,550,309**
Adjustments (a)	-	(6,676,468)	-	-	-	-	-	**(6,676,468)**
As 31 December	744,072,519	2,173,942,670	142,337,318	403,458,073	7,783,678	187,653,667	114,813,941	**3,774,061,866**
Accumulated depreciation								
At the beginning of the year	-	532,794,363	89,707,338	243,725,507	6,943,661	63,171,011	36,386,702	**972,728,582**
Charge for the year	-	44,070,275	7,513,168	25,681,530	155,915	19,381,422	3,590,315	**100,392,625**
Disposals	-	-	(3,345,686)	(3,413,128)	(63,000)	(3,514,889)	-	**(10,336,703)**
Adjustments (a)	-	(212,812)	-	-	-	-	-	**(212,812)**
As 31 December	-	576,651,826	93,874,820	265,993,909	7,036,576	79,037,544	39,977,017	**1,062,571,692**
Net Book Value:								
As at 31 December 2021	**744,072,519**	**1,597,290,844**	**48,462,498**	**137,464,164**	**747,102**	**108,616,123**	**74,836,924**	**2,711,490,174**

(a) During the year ended 31 December 2021, the Group re-estimated cost of certain items of the projects by SR 6.7 million.

10 PROJECTS UNDER CONSTRUCTION

Movement of projects under construction:

	For the nine-months period ended 30 September 2022 SR	*For the year ended 31 December 2021 SR*
At the beginning of the period/year	**95,507,055**	124,946,460
Additions during the period/year	**121,076,115**	26,110,904
Transfers to property and equipment (note 9)	**(5,185,066)**	(55,550,309)
At the end of the period/year	**211,398,104**	95,507,055

(a) The projects under construction mainly represent the cost of constructing new hotels and renovating existing hotels in addition to other projects. This item includes contractors' cost, project management expenses, design expenses, and advances to contractors, capitalized loans interest and other miscellaneous expenses. The board of directors review the progress of these projects on timely basis and there is no decision taken to cancel or suspend any of these projects.

(b) Transfers into property and equipment during the current period aggregating to SR 5.2 million related to 3 renovation projects of the Company's hotels in Riyadh (2021: SR 55.6 million mainly represent the cost of Makkah Hotel renovations).

11 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 September 2022 SR	*31 December 2021 SR*
Contract liabilities	**73,788,736**	67,504,337
Payable to contractors	**23,467,390**	24,877,518
Retentions payable	**14,275,451**	14,453,636
Accrued staff benefits	**17,768,602**	17,557,874
Accrued utilities and other services	**14,932,283**	14,913,370
Accrued professional fees and other services	**4,242,592**	8,688,330
Accrued interest	**10,586,480**	1,034,258
Others	**7,739,291**	12,558,973
	166,800,825	161,588,296

12 TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total value of SR 1,090 million (31 December 2021: SR 1,017 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by order notes and assignment of proceeds from certain projects' rentals.

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Company was compliant with the loan covenants as at 30 September 2022 and 31 December 2021.

Following is a summary of the loans:

	30 September 2022 SR	*31 December 2021* SR
Term loans – current portion	**200,242,984**	271,761,088
Term loans – non-current portion	**889,713,146**	745,510,575
	1,089,956,130	1,017,271,663

13 LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities recognized and the movements during the period/year:

	For the nine-months period ended 30 September 2022 SR	*For the year ended 31 December 2021 SR*
At the beginning of the period/year	**345,652,935**	385,880,458
Additions	**-**	19,809,907
Lease adjustment	**(13,718,830)**	(56,348,028)
Interest	**11,222,730**	14,632,885
Payments	**(13,957,329)**	(18,322,287)
COVID-19 related rent concession	**(251,035)**	-
At the end of the period/year	**328,948,471**	345,652,935
The present value of the net lease payments is as follows:		
Current	**33,468,582**	43,343,159
Non-current	**295,479,889**	302,309,776

The following are the amounts recognized in interim condensed consolidated statement of comprehensive income:

	For the nine-months period ended	
	30 September 2022 SR	*30 September 2021 SR*
Depreciation expense of right-of-use assets	**10,140,409**	11,727,800
Financial charges on lease liabilities	**10,543,953**	10,911,088
Total amount recognized in interim condensed consolidated statement of comprehensive income	**20,684,362**	22,638,888

14 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 interim condensed consolidated statement of income for the Group.

Movement in zakat provision:

	For the nine-months period ended 30 September 2022 SR	*For the year ended 31 December 2021 SR*
At the beginning of the period/year	**13,662,198**	13,323,298
Provided during the period/year	**4,569,850**	9,312,287
Paid during the period/year	**(7,026,713)**	(8,973,387)
At the end of the period/year	**11,205,335**	13,662,198

14 ZAKAT (CONTINUED)

Zakat status

The Company and its subsidiaries have filed their Zakat returns with Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2021.

The Company received its zakat assessments from ZATCA up to 31 December 2014 G and for the years 2016, 2017 and 2018.

ZATCA issued zakat assessments for the years from 2015 to 2018. The Company submitted its objections on those assessments. Those objections were accepted by ZATCA, except for an amount of SR 0.86 million for the year 2015. The Company submitted its appeal to the General Secretariat of the Committees ("GSTC"). GSTC accepted the Company's objections for amount of SR 0.62 million and rejected an amount of SR 0.25 million. In May 2022, ZATCA appealed to Appeal Committee for Tax Violations and Disputes Resolution ("ACTVDR") against GSTC decision. The Company has submitted its response to ACTVDR within the timeline required and the outcome has not been finalized yet.

ZATCA issued zakat assessment for the year 2019, which resulted in zakat differences of SR 3.03 million. The Company has paid all the unobjectionable amounts aggregating SR 1.2 million and raised objections to the rest of the items in dispute. This resulted in the issuance of an amended assessment by ZATCA with additional amount of SR 1.04 million. The Company filed an objection with the GSTC to consider the items under objection. The Committee for Resolution of Tax Violations and Disputes "CRTVD" issued its decision and rejected the Company's objection. The Company has appealed to the Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" within the timeline required and the outcome has not been finalized yet.

ZATCA also issued zakat assessment for the year 2020, which resulted in zakat differences of SR 2.11 million. The Company paid all the unobjectionable amounts amounting to SR 1.76 million and objected to the rest of the items in dispute. ZATCA has issued its amended assessment, which included the acceptance of all the items objected to by the Company, thus canceling all zakat obligations related to the year 2020.

ZATCA has not finalized yet the zakat assessment for the year ended 31 December 2021.

ZATCA issued zakat assessments for the subsidiaries for all the years up to 2018.

15 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2021: 100 million shares of SR 10 each).

16 DIVIDENDS PAYABLE

As at 30 September 2022, current liabilities include the balance of dividends payable amounting to SR 43.7 million (31 December 2021: SR 43.9 million), which represents amounts due to shareholders for dividends in arrears that were not claimed by them as at the date of the interim condensed consolidated statement of financial position.

17 REVENUE

The following is the disaggregation of the Group's revenue from contracts with customers:

	For the three months period ended 30 September 2022				*For the three months period ended 30 September 2021*			
	Hospitality SR	***Rental SR***	***Property Management SR***	***Total SR***	*Hospitality SR*	*Rental SR*	*Property Management SR*	*Total SR*
Type of goods or service								
Hospitality services - rooms	**61,795,806**	**-**	**-**	**61,795,806**	58,581,176	-	-	58,581,176
Sales of goods - food and beverage	**22,253,328**	**-**	**-**	**22,253,328**	20,257,128	-	-	20,257,128
Other hospitality revenues	**3,033,079**	**-**	**-**	**3,033,079**	6,415,121	-	-	6,415,121
Rental income	**-**	**32,557,792**	**-**	**32,557,792**	-	31,463,558	-	31,463,558
Management fee income	**-**	**-**	**1,020,897**	**1,020,897**	-	-	282,803	282,803
Total revenue from contracts with customers	**87,082,213**	**32,557,792**	**1,020,897**	**120,660,902**	85,253,425	31,463,558	282,803	116,999,786
Timing of revenue recognition								
Over time	**64,828,885**	**32,557,792**	**1,020,897**	**98,407,574**	64,996,297	31,463,558	282,803	96,742,658
At a point in time	**22,253,328**	**-**	**-**	**22,253,328**	20,257,128	-	-	20,257,128
Total revenue from contracts with customers	**87,082,213**	**32,557,792**	**1,020,897**	**120,660,902**	85,253,425	31,463,558	282,803	116,999,786

	For the nine-months period ended 30 September 2022				*For the nine months period ended 30 September 2021*			
	Hospitality SR	***Rental SR***	***Property Management SR***	***Total SR***	*Hospitality SR*	*Rental SR*	*Property Management SR*	*Total SR*
Type of goods or service								
Hospitality services - rooms	**203,395,553**	**-**	**-**	**203,395,553**	157,606,009	-	-	157,606,009
Sales of goods - food and beverage	**77,158,332**	**-**	**-**	**77,158,332**	56,538,545	-	-	56,538,545
Other hospitality revenues	**12,343,724**	**-**	**-**	**12,343,724**	22,969,303	-	-	22,969,303
Rental income	**-**	**95,840,874**	**-**	**95,840,874**	-	92,542,462	-	92,542,462
Management fee income	**-**		**2,366,018**	**2,366,018**	-	-	1,085,487	1,085,487
Total revenue from contracts with customers	**292,897,609**	**95,840,874**	**2,366,018**	**391,104,501**	237,113,857	92,542,462	1,085,487	330,741,806
Timing of revenue recognition								
Over time	**215,739,277**	**95,840,874**	**2,366,018**	**313,946,169**	180,575,312	92,542,462	1,085,487	274,203,261
At a point in time	**77,158,332**	**-**	**-**	**77,158,332**	56,538,545	-	-	56,538,545
Total revenue from contracts with customers	**292,897,609**	**95,840,874**	**2,366,018**	**391,104,501**	237,113,857	92,542,462	1,085,487	330,741,806

18 COST OF REVENUE

	For the three-months period ended 30 September		*For the nine-months period ended 30 September*	
	2022	*2021*	***2022***	*2021*
	SR	*SR*	***SR***	*SR*
Salaries and benefits	**40,500,421**	39,057,126	**129,042,252**	118,265,867
Depreciation of property and equipment and right of use assets	**28,430,806**	28,463,729	**85,485,502**	83,048,224
Operating supplies	**8,363,949**	8,514,273	**24,581,774**	30,001,639
Food and beverage	**8,612,114**	9,454,718	**25,050,913**	22,390,097
Utilities	**7,654,336**	7,876,949	**19,904,235**	19,464,095
Repair and maintenance	**1,780,239**	2,980,584	**8,468,879**	8,606,962
Service and operation fees	**2,389,043**	1,521,370	**7,237,937**	4,991,246
Advertising and promotion activities	**1,160,313**	2,406,498	**9,239,394**	7,695,884
Commission for travel agencies and credit cards	**2,263,394**	2,035,443	**5,485,262**	4,952,614
Security and guarding	**87,691**	143,481	**382,553**	552,960
Others	**512,738**	366,989	**2,756,318**	1,584,186
	101,755,044	102,821,160	**317,635,019**	301,553,774

19 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-months period ended 30 September		*For the nine-months period ended 30 September*	
	2022	*2021*	***2022***	*2021*
	SR	*SR*	***SR***	*SR*
Salaries and other employee benefits	**4,930,724**	4,416,948	**16,354,795**	14,155,176
Provision / (reversal) for expected credit loss (note 6)	**340,190**	1,331,045	**3,228,472**	(2,340,336)
Professional fee	**781,587**	642,037	**1,893,536**	1,593,395
Board of Director remuneration	**887,500**	874,750	**3,005,870**	2,899,250
Subscription	**642,929**	722,020	**1,925,803**	1,731,579
Depreciation of property and equipment	**315,790**	359,513	**1,002,370**	1,739,037
Hospitalities	**217,404**	136,745	**774,296**	328,584
Others	**696,150**	486,050	**1,602,857**	1,200,641
	8,812,274	8,969,108	**29,787,999**	21,307,326

20 OTHER INCOME, NET

	For the three months period ended 30 September		*For the nine months period ended 30 September*	
	2022	*2021*	***2022***	*2021*
	SR	*SR*	***SR***	*SR*
Accrual no longer required	**-**	-	**2,220,155**	5,000,000
COVID-19 related rent concession	**-**	-	**251,035**	-
Income from settlement with a contractor	**-**	-	**-**	9,120,000
Reimbursement from ZATCA	**-**	-	**-**	1,799,088
Others, net	**106,284**	59,448	**596,071**	1,081,779
	106,284	59,448	**3,067,261**	17,000,867

21 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	30 September 2022 SR	*30 September 2021 SR*
Earnings for the period attributable to the equity holders of the parent	**2,175,100**	(8,138,230)
Weighted average number of outstanding shares	**100,000,000**	100,000,000
Basic and diluted earnings per share	**0.02**	(0.08)

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22 COMMITMENTS AND CONTINGENCIES

Capital commitments
As at 30 September 2022, the Group has entered into capital commitments of SR 330.2 million (31 December 2021: SR 117.8) related to its capital work in progress.

Contingencies
a) As at 30 September 2022, the Group had issued outstanding letters of guarantee amounting to SR 29 million (31 December 2021: SR 30.2 million). These guarantees are without cash margin.

b) There are certain contingencies relating to zakat as fully disclosed in note 14

c) Legal claim contingency
During 2018 the Company entered into two Interest Rate Swap derivative agreements (“the agreements”) with a local financial institution. During 2020, the Company disputed the validity of these agreements and filed a lawsuit (“the Lawsuit”) against the financial institution before the Committee for Resolution of Securities Disputes (“the CRSD”). During 2021, the CRSD has issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations. On 10 March 2022, The Company filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. The potential outcome of the new claim cannot be reasonably estimated as this stage. Conversely, if there was an adverse decision related to the Lawsuit, the cumulative impact of those agreements is estimated to reduce the Group net assets by SR 33.9 million as of 30 September 2022 (31 December 2021: SR 66.6 million). The cumulative impact could be positively or negatively impacted according to the future changes in the fair value for these agreements.

23 INTERIM RESULTS

The operations and revenues of the Group are affected by the seasonal changes during the year and for certain periods. Therefore, the results of operations for the nine months period ended 30 September 2022, may not necessarily be indicative of the annual results of the Group.

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial asset and financial liabilities. The Group's financial assets consist of investment at fair value through other comprehensive income, trade receivables and amounts due from related parties, and its financial liabilities consist of term loans, trade payables, and amounts due to related parties.

The management assessed that fair value of investment at fair value through other comprehensive income, trade receivables, amounts due from related parties, term loans, payables and amounts due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.

a) Financial assets

	30 September 2022 SR	*31 December 2021 SR*
Financial assets carried at fair value		
Investments at fair value through other comprehensive income (FVOCI)	**2,101,657**	2,101,657
Financial assets carried at amortized cost		
Cash and cash equivalents	**84,073,266**	91,647,932
Trade receivables	**146,869,161**	145,241,390
Due from related parties	**4,193,998**	3,710,899
Total financial assets carried at amortized cost	**235,136,425**	240,600,221
Total financial assets	**237,238,082**	242,701,878
Total current financial assets	**235,136,425**	240,600,221
Total non-current financial assets	**2,101,657**	2,101,657
Total financial asset	**237,238,082**	242,701,878

b) Financial liabilities

	30 September 2022 SR	*31 December 2021 SR*
Financial liabilities carried at amortised cost		
Trade Payable	**31,808,752**	41,327,895
Term loans	**1,089,956,130**	1,017,271,663
Due to related parties	**35,900,233**	37,158,747
Dividends payable	**43,659,810**	43,939,294
Total financial liabilities carried at amortised cost	**1,201,324,925**	1,139,697,599
Total current financial liabilities	**311,611,779**	394,187,024
Total non-current financial liabilities	**889,713,146**	745,510,575
Total financial liabilities carried at amortised cost	**1,201,324,925**	1,139,697,599

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

25 SUBSEQUENT EVENTS

There are no matters that have occurred up to and including the date of the approval of the interim condensed consolidated financial statements which could materially affect the interim condensed consolidated financial statements and the related disclosures for the nine-months period ended 30 September 2022.

26 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 8 Rabi Al-Thani 1444H (corresponding to 2 November 2022).