Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 2018

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(A Saudi Joint Stock Company)

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For the nine month period ended 30 September 2018

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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 2018, and the related interim condensed consolidated statement of comprehensive income for three and nine month periods ended 30 September 2018, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month 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") as 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

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

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ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

Riyadh: 28 Safar 1440H
(6 November 2018)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Note	30 September 2018 (Unaudited) SR	31 December 2017 (Audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**160,633,311**	153,206,897
Trade receivables		**93,510,627**	84,313,392
Due from related parties	6	**21,946,424**	21,757,752
Prepayments and other current assets		**18,802,143**	19,864,668
Inventories		**22,936,042**	23,798,440
TOTAL CURRENT ASSETS		**317,828,547**	302,941,149
NON-CURRENT ASSETS			
Equity investment held at fair value through other comprehensive income (FVOCI)		**7,000,000**	7,000,000
Investment in equity accounted investees	5	**25,357,518**	26,274,475
Property and equipment	7	**1,895,121,549**	1,886,310,833
Capital work in progress	8	**593,563,355**	383,555,729
TOTAL NON-CURRENT ASSETS		**2,521,042,422**	2,303,141,037
TOTAL ASSETS		**2,838,870,969**	2,606,082,186
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		**16,439,489**	34,644,795
Accrued expenses and other current liabilities		**186,437,960**	145,167,711
Due to related parties	6	**46,675,068**	16,686,148
Term loans - current portion	9	**79,300,000**	37,491,064
Dividend payable		**45,865,786**	45,301,426
Provision for zakat	10	**19,199,108**	15,117,862
TOTAL CURRENT LIABILITIES		**393,917,411**	294,409,006
NON-CURRENT LIABILITIES			
Term loans - noncurrent portion	9	**585,039,948**	432,258,650
Employees' terminal benefits liabilities		**52,426,184**	54,182,936
TOTAL NON-CURRENT LIABILITIES		**637,466,132**	486,441,586
TOTAL LIABILITIES		**1,031,383,543**	780,850,592

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 September 2018

	Note	30 September 2018 (Unaudited) SR	31 December 2017 (Audited) SR
EQUITY			
Share capital	11	**1,000,000,000**	1,000,000,000
Statutory reserve		**500,000,000**	500,000,000
Contractual reserve		**143,002,490**	143,002,490
Retained earnings		**128,413,325**	144,618,292
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,771,415,815**	1,787,620,782
Non-controlling interest		**36,071,611**	37,610,812
TOTAL EQUITY		**1,807,487,426**	1,825,231,594
TOTAL LIABILITIES AND EQUITY		**2,838,870,969**	2,606,082,186

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three and nine month periods ended 30 September 2018

	Note	For the three month period ended 30 September 2018 SR	30 September 2017 SR	For the nine month period ended 30 September 2018 SR	30 September 2017 SR
REVENUES					
Hospitality income		**84,273,031**	84,904,530	**265,830,239**	292,625,636
Rental income		**24,429,938**	20,312,329	**70,635,011**	58,258,327
Management fees		**2,392,075**	2,395,863	**4,686,795**	5,205,416
TOTAL REVENUES		**111,095,044**	107,612,722	**341,152,045**	356,089,379
COST OF REVENUES		**(84,708,867)**	(83,828,647)	**(260,982,659)**	(261,712,976)
GROSS PROFIT		**26,386,177**	23,784,075	**80,169,386**	94,376,403
EXPENSES					
Selling and marketing		**(70,819)**	(393,262)	**(823,812)**	(965,347)
General and administration		**(8,613,219)**	(7,494,660)	**(27,003,318)**	(22,951,755)
TOTAL EXPENSES		**(8,684,038)**	(7,887,922)	**(27,827,130)**	(23,917,102)
OPERATING INCOME		**17,702,139**	15,896,153	**52,342,256**	70,459,301
Financial charges	9	**(2,896,158)**	(350,427)	**(4,810,454)**	(885,622)
Finance income		**407,283**	-	**992,570**	492,464
Other income, net		**907,511**	223,503	**3,120,301**	4,577,873
Share in net results of equity accounted investees	5	**(365,749)**	-	**(916,957)**	-
INCOME BEFORE ZAKAT		**15,755,026**	15,769,229	**50,727,716**	74,644,016
Zakat	10	**(1,460,000)**	(1,460,000)	**(4,230,000)**	(4,380,000)
NET INCOME FOR THE PERIOD		**14,295,026**	14,309,229	**46,497,716**	70,264,016
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**14,295,026**	14,309,229	**46,497,716**	70,264,016
Attributable to:					
Equity holders of the parent		**15,203,022**	15,011,544	**47,416,318**	71,602,487
Non-controlling interest		**(907,996)**	(702,315)	**(918,602)**	(1,338,471)
		14,295,026	14,309,229	**46,497,716**	70,264,016
Basic and diluted earnings per share	13	**0.14**	0.14	**0.46**	0.70

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine month period ended 30 September 2018

	Note	Share capital SR	Statutory reserve SR	Contractual reserves SR	Retained earnings SR	Total SR	Non-controlling interest SR	Total equity SR
<u>For the nine month period ended 30 September 2018</u>								
At the beginning of the period (audited)		1,000,000,000	500,000,000	143,002,490	144,618,292	1,787,620,782	37,610,812	1,825,231,594
Impact of adopting IFRS 9 at 1 January 2018	2.3	-	-	-	(8,621,285)	(8,621,285)	(620,599)	(9,241,884)
Restated balance at the beginning of the period		1,000,000,000	500,000,000	143,002,490	135,997,007	1,778,999,497	36,990,213	1,815,989,710
Total comprehensive income for the period		-	-	-	47,416,318	47,416,318	(918,602)	46,497,716
Dividends	12	-	-	-	(55,000,000)	(55,000,000)	-	(55,000,000)
At the end of the period (unaudited)		**1,000,000,000**	**500,000,000**	**143,002,490**	**128,413,325**	**1,771,415,815**	**36,071,611**	**1,807,487,426**
<u>For the nine month period ended 30 September 2017</u>								
At the beginning of the period (audited)		1,000,000,000	500,000,000	143,002,490	135,455,804	1,778,458,294	37,292,773	1,815,751,067
Total comprehensive income for the period		-	-	-	71,602,487	71,602,487	(1,338,471)	70,264,016
Dividends	12	-	-	-	(85,000,000)	(85,000,000)	(135,175)	(85,135,175)
At the end of the period (unaudited)		1,000,000,000	500,000,000	143,002,490	122,058,291	1,765,060,781	35,819,127	1,800,879,908

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine month period ended 30 September 2018

	Note	For the nine month period ended 30 September 2018 SR	30 September 2017 SR
OPERATING ACTIVITIES			
Income before zakat		**50,727,716**	74,644,016
Adjustments for:			
Depreciation	7	**51,467,043**	45,736,299
Provision for doubtful debts, net		**(276,836)**	155,804
Write-off of slow moving inventory		**937,252**	675,000
Share in net results of equity accounted investees	5	**916,957**	-
Gain on sale of property and equipment		**-**	(3,088,796)
Employees' terminal benefits		**4,437,647**	5,693,267
		108,209,779	123,815,590
Changes in operating assets and liabilities:			
Trade receivables		**(8,920,399)**	(6,720,286)
Prepayments and other current assets		**1,062,525**	(4,111,354)
Inventories		**(74,854)**	1,452,529
Due from related parties		**(188,672)**	(17,697,454)
Trade payables		**(18,205,307)**	7,502,100
Accrued expenses and other current liabilities		**38,641,353**	29,367,030
Due to related parties		**29,988,920**	(3,301,251)
Cash from operations		**150,513,345**	130,306,904
Zakat paid	10	**(6,547,383)**	(8,212,166)
Employee benefits paid		**(6,194,397)**	(3,851,474)
Net cash from operating activities		**137,771,565**	118,243,264
INVESTING ACTIVITIES			
Additions to property and equipment	7	**(8,287,107)**	(7,949,496)
Additions to capital work in progress	8	**(261,998,278)**	(199,872,505)
Proceeds from sale of property and equipment		**-**	6,262,996
Dividends from investment		**350,000**	
Net cash used in investing activities		**(269,935,385)**	(201,559,005)
FINANCING ACTIVITIES			
Proceeds from term loans, net		**194,590,234**	92,818,639
Dividends for shareholders	12	**(55,000,000)**	(85,000,000)
Dividends for non-controlling interests		**-**	(135,175)
Net cash from financing activities		**139,590,234**	7,683,464
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**7,426,414**	(75,632,277)
Cash and cash equivalents at the beginning of the period		**153,206,897**	188,460,042
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**160,633,311**	112,827,765

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

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

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

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

		Direct and indirect Ownership %	
Subsidiary	Share Capital SR	30 September 2018	31 December 2017
Makkah Hotels Company Limited	165,600,000	**99.44%**	99.44%
Saudi Hotel Services Company	70,000,000	**70%**	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	**98.73%**	98.73%
Tabuk Hotels Company Limited	27,300,000	**97.14%**	97.14%
Jude Alia Company Limited	100,000	**99%**	99%
Almasdar Alamny Company Limited	100,000	**95%**	95%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95%**	95%
Hotel Hospitality Ambassadors Company (One Person Company)	100,000	**100%**	100%
Dara Oasis Company Limited (One Person Company)	100,000	**100%**	100%

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

The following are details of the subsidiaries and their activities:

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

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

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

1 CORPORATE INFORMATION (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 1010433370 dated 27 Dhul-Hijjah 1435H (corresponding to 21 October 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 1010428949 dated 16 Shawwal 1435H (corresponding to 12 August 2014). The Company is engaged in providing special civil security guard services in the Kingdom of Saudi Arabia 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 30 Sha'ban 1436H (corresponding to 17 June 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).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND MEASUREMENT

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in KSA.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

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

2.2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2018. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which the control is transferred from the Company. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of comprehensive income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interests represent the portion of net income and of net assets attributable to interests which are not owned, directly or indirectly, by the Company or its subsidiaries and are presented separately in the interim condensed consolidated statement of comprehensive income and within equity in the interim condensed consolidated statement of financial position, separately from equity attributable to the equity holders of the parent.

Balances between the Company and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) and that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments ("IFRS 9")

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

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

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

(a) Impairment:

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

The adoption of IFRS 9 has resulted in a reduction of the opening balance of retained earnings and non-controlling interest as of 1 January 2018 by SR 8.6 million and SR 621 thousand, respectively which has been recognized in the interim condensed consolidated statement of changes in equity for the nine months period ended 30 September 2018.

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

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

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

Transfers of Investment Property (Amendments to IAS 40)

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

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

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

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

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

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

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

2.4 NEW STANDARDS ISSUED BUT NOT EFFECTIVE

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 NEW STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

IFRS 16 Leases

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

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

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

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

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

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

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and estimates

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

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES (continued)

Impairment of non-financial assets

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

Impairment of trade receivable

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

Employees' terminal benefits liabilities

The present value of the Employees' terminal benefits liabilities 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 defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Property and equipment useful life and residual value

Any change in the estimated useful life or depreciation pattern will be accounted for prospectively. During the period, the Company has revised its accounting estimates of the useful lives of certain buildings from 75 to 60 years based on the expected future use of those buildings and the advice of an engineering expert. Had there been no change in the useful lives, the net income for the period and carrying value of the building would have increased by SR 588,241.

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 primarily comprises of residential compounds and commercial complexes.

Others: represents corporate office and other support services departments.

Following is a summary of certain financial information for the nine month periods ended 30 September 2018 and 2017 and as at 31 December 2017:

4 OPERATING SEGMENTS (continued)

30 ***September*** 2018 SR	Hospitality	Property Management	Property Rental	Others	Elimination	Total
Revenue from external customer	265,830,239	4,686,795	70,635,011	-	-	**341,152,045**
Inter-segment revenue	5,518,365	2,737,614	11,440,279	-	(19,696,258)	-
Segments costs	(227,153,989)	(4,011,923)	(29,816,747)	-	-	**(260,982,659)**
Segments gross profit	38,676,250	674,872	40,818,264	-	-	**80,169,386**
Finance income	992,570	-	-	-	-	**992,570**
Depreciation	39,143,744	-	9,299,127	3,024,172	-	**51,467,043**
Property and equipment	810,367,562	-	988,711,203	96,042,784	-	**1,895,121,549**
Capital work in progress	437,398,112	-	156,165,243	-	-	**593,563,355**
Segments total assets	1,545,001,368	-	1,197,826,817	96,042,784	-	**2,838,870,969**
Segments total liabilities	204,392,716	-	826,990,827	-	-	**1,031,383,543**

30 *September* 2017 SR	Hospitality	Property Management	Property Rental	Others	Elimination	Total
Revenue from external customer	292,625,636	5,205,416	58,258,327	-	-	356,089,379
Inter-segment revenue	1,240,499	16,454,995	4,838,997	-	(22,534,491)	-
Segments costs	(235,858,699)	(2,558,442)	(23,295,835)	-	-	(261,712,976)
Segments gross profit	56,766,937	2,646,974	34,962,492	-	-	94,376,403
Finance income	492,464	-	-	-	-	492,464
Depreciation	38,017,037	-	5,336,016	-	-	43,353,053
Property and equipment	838,540,517	-	760,196,345	92,504,836	-	1,691,241,698
Capital Work in progress	242,294,213	-	278,620,358	-	-	520,914,571
Segments total assets	1,628,046,876	-	795,428,137	92,504,836	-	2,515,979,849
Segments total liabilities	192,004,991	-	523,094,950	-	-	715,099,941

31 December 2017 SR	Hospitality	Property Management	Property Rental	Others	Elimination	Total
Property and equipment	934,384,268	-	859,421,729	92,504,836	-	1,886,310,833
Capital work in progress	278,644,809	-	104,910,920	-	-	383,555,729
Segments total assets	1,419,819,469	-	1,093,757,881	92,504,836	-	2,606,082,186
Segments total liabilities	212,868,527	-	567,982,065	-	-	780,850,592

4 OPERATING SEGMENTS (continued)

Reconciliation of information on reportable segments to net profit of the Group:

	For nine month period ended	
	30 ***September*** 2018 SR	30 *September* 2017 SR
Profit from reported segment	**80,169,386**	94,376,403
Un-allocated amount:		
Other income	**3,120,301**	4,577,873
Selling and marketing expenses	**(823,812)**	(965,347)
General and administration expenses	**(27,003,318)**	(22,951,755)
Finance income	**992,570**	492,464
Finance expense	**(4,810,454)**	(885,622)
Share in net results of equity accounted investees	**(916,957)**	-
Total un-allocated amount	**(29,441,670)**	(19,732,387)
Consolidated profit before zakat	**50,727,716**	74,644,016

5 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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

	Ownership			
	30 ***September*** 2018 %	31 December 2017 %	30 ***September*** 2018 SR	31 December 2017 SR
Equity accounted investees				
Saudi Company for Heritage Hospitality	**25**	25	**11,508,857**	12,092,481
Makarem Al Ma'arifa Hospitality Company	**50**	50	**9,539,705**	9,539,705
Al Madinah Hotels Company Limited	**50**	50	**4,142,290**	4,142,289
Media Marketing Services Company	**25**	25	**166,666**	500,000
			25,357,518	26,274,475

Movement in the investment in equity accounted investees:

	For the nine month period ended 30 September 2018 SR	For the year ended 31 December 2017 SR
At the beginning of the period/year	**26,274,475**	30,436,392
Share in net results	**(916,957)**	(4,161,917)
At the end of the period/year	**25,357,518**	26,274,475

6 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

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

Details of transactions amounts and resulted balances are as follows:

a) Due from related parties

			Amount of transactions for the nine month period ended		Amount of transactions for the year ended	Balance	
			30 September 2018	30 September 2017	31 December 2017	30 September 2018	31 December 2017
Related Party	Relation	Nature of transaction	SR	SR	SR	SR	SR
Makarem Al Ma'arifa Hospitality Company	Associate	Technical fees	**441,020**	999,999	1,333,332	**18,343,082**	20,554,162
Makarim Al Bait Hotel	Affiliate	Management fees	**463,612**	460,192	460,192	**1,240,555**	63,129
AL Yasmin Compound	Affiliate	Management fees	**347,592**	-	-	**652,446**	-
Aseela Investment Company	Affiliate	Rent	**400,000**	-	-	**400,000**	-
Others	Affiliate	Management fees	**1,062,064**	956,000	1,317,132	**1,310,341**	1,140,461
						21,946,424	21,757,752

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party transactions (continued)

b) Due to related parties

Related Party	Relation	Nature of transaction	Amount of transactions for the nine month period ended 30 September 2018 SR	Amount of transactions for the nine month period ended 30 September 2017 SR	Amount of transactions for the year ended 31 December 2017 SR	Balance 30 September 2018 SR	Balance 31 December 2017 SR
Al Madinah Hotel Company limited	Affiliate	Management fees	-	-	-	**14,667,311**	-
Al Jazira and Dawudia Compounds	Associate	Management fees	-	-	-	**18,512,935**	13,327,063
Um Al Qura Makarem Hotel	Affiliate	Management fees	795,850	961,897	961,897	**5,479,727**	-
Al Rawda Residence Compound	Affiliate	Management fees	241,336	314,780	408,945	**2,881,776**	158,331
Makarem Mena Hotel	Affiliate	Management fees	512,657	529,167	529,167	**1,721,319**	-
Al Mazzar Compound	Affiliate	Management fees	379,933	147,018	618,842	**1,134,688**	84,084
Al Andalus Residence Compound	Affiliate	Management fees	478,782	451,619	596,826	**1,202,085**	1,330,281
Makarim Al Shurafat	Affiliate	Management fees	522,202	61,112	68,688	**204,278**	-
AL Yasmin Compound	Affiliate	Management fees	-	520,972	633,825	-	1,786,389
Others	Affiliate	Management fees	-	-	-	**870,949**	-
						46,675,068	16,686,148

Transactions with key management personnel:

	Amount of transactions for the nine month period ended 30 September 2018 SR	Amount of transactions for the nine month period ended 30 September 2017 SR
Salaries, bonuses and end of service of the Group’s key management persons	**4,540,802**	4,063,927

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Terms and conditions relating to related party balances

Outstanding balances with related parties at the period-end are unsecured, interest free, settled in cash and due within 12 months of statement of interim condensed consolidated financial position date. There have been no guarantees provided or received for any related party receivables or payables. For the nine month periods ended 30 September 2018 and 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each reporting period by examining the financial position of the related party and the market in which the related party operates.

7 PROPERTY AND EQUIPMENT

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

Buildings	50-75 years	Motor vehicles	4 years
Leasehold improvements	The shorter of 5 years or lease period	Devices and equipment	5 years
Furniture	10 years	Elevators and central air conditioning	40 years

	Lands SR	Buildings SR	Leasehold improvements SR	Furniture SR	*Motor vehicles* SR	Devices and equipment SR	Elevators and central air conditioning SR	Total SR
Cost:								
At the beginning of the period	724,671,319	1,432,002,793	47,757,747	287,493,017	8,223,587	59,131,857	70,315,978	**2,629,596,298**
Additions	-	-	1,589,700	558,281	112,000	5,913,427	113,699	**8,287,107**
Transfer from capital work in progress (note 8)	-	44,524,626	-	368,541	-	7,097,485	-	**51,990,652**
At the end of the period	724,671,319	1,476,527,419	49,347,447	288,419,839	8,335,587	72,142,769	70,429,677	**2,689,874,057**
Depreciation:								
At the beginning of the period	-	465,205,176	29,864,703	189,825,815	7,889,585	21,676,449	28,823,737	**743,285,465**
Charge for the period	-	20,981,212	10,343,972	10,491,877	45,559	6,793,737	2,810,686	**51,467,043**
At the end of the period	-	486,186,388	40,208,675	200,317,692	7,935,144	28,470,186	31,634,423	**794,752,508**
Net book values:								
As at 30 September 2018	**724,671,319**	**990,341,031**	**9,138,772**	**88,102,147**	**400,443**	**43,672,583**	**38,795,254**	**1,895,121,549**

7 PROPERTY AND EQUIPMENT (continued)

	Lands SR	Buildings SR	Leasehold improvements SR	Furniture SR	*Motor vehicles* SR	Devices and equipment SR	Elevators and central air conditioning SR	Total SR
Cost:								
At the beginning of the year	727,818,069	1,248,756,234	42,560,242	248,694,714	8,087,545	59,389,001	34,526,501	2,369,832,306
Additions	-	-	2,258,327	1,834,480	193,542	8,690,396	8,150,000	21,126,745
Disposals	(3,146,750)	-	-	-	(57,500)	(13,418,858)	-	(16,623,108)
Transfer from capital work in progress (note 8)	-	183,246,559	2,939,178	36,963,823	-	4,471,318	27,639,477	255,260,355
At the end of the year	724,671,319	1,432,002,793	47,757,747	287,493,017	8,223,587	59,131,857	70,315,978	2,629,596,298
Depreciation:								
At the beginning of the year	-	430,742,388	23,881,325	177,199,130	7,813,522	26,463,012	26,465,384	692,564,761
Charge for the year	-	34,462,788	5,983,378	12,626,685	106,113	8,528,428	2,358,353	64,065,745
Disposals	-	-	-	-	(30,050)	(13,314,991)	-	(13,345,041)
At the end of the year	-	465,205,176	29,864,703	189,825,815	7,889,585	21,676,449	28,823,737	743,285,465
Net book values:								
As at 31 December 2017	724,671,319	966,797,617	17,893,044	97,667,202	334,002	37,455,408	41,492,241	1,886,310,833

8 CAPITAL WORK IN PROGRESS

Capital work in progress represent mainly the costs of construction of Diplomatic Quarter Hotel Project amounting to SR 285.4 million (31 December 2017: SR 158.2 million), Darraq Housing Project (Phases IV, V) amounting to SR 90.7 million (31 December 2017: SR 70.2 million), expansion of Makarem Riyadh Hotel amounting to SR 46.9 million (31 December 2017: SR 13.6 million) and renovation cost of Makarem Ajyadh Makkah Hotel of SR 7.9 million (31 December 2017: SR 4.2 million).

Capitalised borrowing costs

The amount of borrowing costs capitalised during the period ended 30 September 2018 was SR 8.7 million (year ended 31 December 2017: SR 9.3 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.44% (31 December 2017: 3.06%), which is the effective interest rate of the weighted average borrowings.

Movement in capital work in progress:

	For the nine month period ended 30 September 2018 SR	For the year ended 31 December 2017 SR
At the beginning of the period/year	**383,555,729**	375,977,222
Additions during the period/year	**261,998,278**	262,838,862
Transfers to property and equipment (note 7)	**(51,990,652)**	(255,260,355)
At the end of the period/year	**593,563,355**	383,555,729

9 TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total value of SR 1,424 million (31 December 2017: SR 371.9 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by promissory notes and assignment of proceeds from Darraq project rentals.

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

10 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 comprehensive income for the Group.

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

Movement in provision for zakat:

	For the nine month period ended 30 September 2018 SR	For the year ended 31 December 2017 SR
At the beginning of the period/year	**15,117,862**	17,917,222
Provided during the period/year	**4,230,000**	5,065,120
Refund during the period/year	**6,398,629**	-
Payments made during the period/year	**(6,547,383)**	(7,864,480)
At the end of the period/year	**19,199,108**	15,117,862

11 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2017: 100 million shares of SR 10 each).

12 DIVIDENDS DECLARATION AND APPROVAL

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

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

On 12 September 2017, the Board of Directors approved interim cash dividends of SR 40 million (SR 0.40 per share) for the first half of the year 2017.

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

13 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period are calculated by dividing net income for the period by the weighted average number of issued and outstanding shares of 100 million during the period.

14 COMMITMENTS AND CONTINGENCIES

Capital commitments

During the nine month period ended 30 September 2018, the Group has entered into capital commitments of SR 105.5 million (31 December 2017: SR 273.5 million) related to its capital work in progress.

Contingencies

As at 30 September 2018, the Group had issued letters of guarantee amounting to SR 50.2 million (31 December 2017: SR 39.2 million). These guarantees are without cash margin.

Legal claim contingency

The Group is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, the Group’s management does not expect that they will have a material adverse effect on the interim condensed consolidated financial statements of the Group.

Further, the Group is involved in legal proceedings against a lessor (“the lessor”) due to increasing rental charges for a property that was leased by the Group for the period from 2009 to 2014 (“the period”). A preliminary (non binding) court decree was issued that estimated total rental charges for the period to be SR 12.5 million. The Group appealed to the Administrative Court of Appeal against the preliminary ruling. A provision of SR 6.2 million has been made in the interim condensed consolidated financial statements which the Group management believes to be adequate.

14 COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitments

a) Group as lessee

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	30 September 2018 SR	31 December 2017 SR
Within one year	**21,425,610**	15,000,000
After one year but not more than five years	**94,484,957**	91,523,213
More than five years	**419,632,178**	444,019,532
	535,542,745	550,542,745

The Company commenced negotiation with a lessor to reduce annual rental rate for one its leased hotel from SR 21 million. As of the date of the interim condensed consolidated financial statements, the outcome of this negotiation has not been finalized.

b) Group as lessor

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

Future minimum rentals receivable under non-cancellable operating leases are, as follows

	30 September 2018 SR	31 December 2017 SR
Within one year	**24,408,710**	-
After one year but not more than five years	**23,386,293**	21,460,000
More than five years	**22,528,037**	14,000,000
	70,323,040	35,460,000

15 INTERIM RESULTS

Interim results may not necessary be indicative of the annual results of the Group.

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

16 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

i) Financial Assets

	30 September 2018 SR	31 December 2017 SR
Financial assets classified as available for sale		
Equity investment at FVOCI	**7,000,000**	7,000,000
Financial assets carried at amortized cost		
Trade receivables	**93,510,627**	84,313,392
Due from related parties	**21,946,424**	21,757,752
Total financial assets carried at amortized cost	**115,457,051**	106,071,144
Total financial assets	**122,457,051**	113,071,144
Total current financial assets	**115,457,051**	106,071,144
Total non-current financial assets	**7,000,000**	7,000,000
	122,457,051	113,071,144

ii) Financial liabilities

	30 September 2018 SR	31 December 2017 SR
Financial liabilities carried at amortized cost		
Trade payables	**16,439,489**	34,644,795
Term loans	**664,339,948**	469,749,714
Due to related parties	**46,675,068**	16,686,148
Total financial liabilities carried at amortized cost	**727,454,505**	521,080,657
Total current financial liabilities	**142,414,557**	88,822,007
Total non-current financial liabilities	**585,039,948**	432,258,650
	727,454,505	521,080,657

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

17 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 28 Safar 1440H (corresponding to 6 November 2018).