Annual Report

شركة دور للضيافة
Dur Hospitality Company

بسم الله الرحمن الرحيم

Table of Contents

1.0 Company Overview

2.0 Business Sectors

3.0
Financial Data and Business Results

4.0
Disclosure and Transparency

Message from the Board

Dear Shareholders of Dur Hospitality,

The Board of Directors is delighted to present the annual report detailing Dur's key business and activities for the fiscal year 2017 and financial statements for the year ended 31 December 2017. This report has been prepared as per the requirements of the Saudi Capital Market Authority's Corporate Governance Regulations, registration, and listing rules.

The current year's results revealed that Dur Hospitality has continued its successful journey, despite broader economic challenges, and has made remarkable progress in raising the quality of its services, through implementing effective plans based on the Kingdom's strategic advantages; its religious status and its secure and stimulating environment for religious and leisure tourism.

Dur Hospitality Company reported revenues of SAR 483.6 million for fiscal year 2017, which represents a slight decline of 3.1% compared to the previous year. However, given the overall decline experienced across the hospitality sector, it represents a relatively strong performance and one that can be attributed to the relentless efforts of the company's employees. Backed by the spirit of partnership and excellence in services and business that we have adopted, we have witnessed several achievements in 2017: Dur Hospitality was named "Hospitality Company of the Year of 2017"; we launched Dur Communities' new identity; our "Makarem Hotels" won three awards at the World Travel Awards 2017; we took part in many international exhibitions and sponsored leading local events; in addition to many other achievements that have contributed to accentuating Dur Hospitality's prestigious position as a leader in Saudi Arabia's hospitality sector.

As a key player in the success of the service sector in Saudi Arabia, Dur Hospitality always strives to be socially responsible, through contributing to humanitarian and community causes. Hence, in partnership with specialized charitable associations and organizations, the Company implemented more than 21 social responsibility projects during 2017.

Dur Hospitality takes pride in its employees and aims to continuously develop its internal environment to provide them with a workplace they can be proud of. We implement international standards to improve the workplace and create a stimulating environment that attracts qualified national talents. As a result of our efforts to develop a workplace that enables employees to innovate and excel in serving customers, Dur Hospitality was named a "Great Place to Work 2017".

Last but not least, we are extremely thankful and grateful to our partners for their loyalty, to our esteemed shareholders for their continuous support, and to our skilful employees for their efforts in helping us realize our corporate objectives. Our people are the key to our success and continuity.

Best Regards,
Board of Directors

Board Members

Eng. Abdullah bin Mohammad Al Issa
Chairman

Mr. Nasser bin Mohammad Al Subaiei
Deputy Chairman

Dr. Saleh bin Ali AL Hathloul
Board Member

Eng. Fahad bin Abdullah Al Sharif
Board Member (Representative of the Public Investment Fund)

Mr. Abdullah bin Mohammad Alabduljabbar
Board Member (Representative of the General Organization for Social Insurance)

Mr. Talal bin Abdul Muhsen Al Malafekh
Board Member (Representative of the Public Pension Agency)

Mr. Fahad bin Abdullah Al Qassim
Board Member

Mr. Musaab bin Sulaiman Al Muhaideb
Board Member

Mr. Bader bin Abdullah Al Issa
Board Member

Company Overview

1.0

Our Vision

To be the partner of choice in the hospitality industry across the Kingdom in the fields of investment, development, and operations, adopting international standards with a local spirit.

About the Company

Dur Hospitality is a publicly-listed hospitality company established in Saudi Arabia in 1976. It is recognized for its strong track record managing, developing and operating hotels and residential communities across the Kingdom of Saudi Arabia. Its diversified portfolio encompasses 20 properties, in addition to several new hospitality and residential projects currently under development across the Kingdom.

1.1 Main Activities

Dur Hospitality, formerly known as the Saudi Hotels & Resorts Company – "SHARACO" , was established as a Saudi joint stock company under the Council of Ministers' Resolution No. 1776 dated 18 Dhul-Hijjah 1395AH (Royal Decree No. M/69 dated 28 Rajab 1395AH) under commercial registration No. 1010010726 dated 06 Muharram 1397AH, registered in Riyadh. The Company's capital is one billion Saudi Riyals.

According to its Articles of Association, the main objectives of the Company are:

01

Creation, ownership, management, operation, investment, purchase, sharing, lease and rental of hotels, restaurants, motels, lounges, entertainment centers, travel agencies and private beaches of different levels and sizes in cities, public roads and tourism areas.

02

Ownership, purchase, development, division and sorting of lands and real estates; construction, sale, evacuation, lease or use of residential, commercial and hotel buildings management of real estates for the account of the Company or third parties; carrying out of operation and maintenance works.

03

Provision of services to Umrah performers and visitors to Prophet, s Mosque.

04

Practice of all principal and ancillary works required to perform, process and carry on all activities of the said business in consistency with the purposes for which they are devoted.

05

Achievement of high level service(s) offered at such places and equipment of such places according to their grade as determined by the Board of Directors.

The Company shall carry on the aforementioned business on its own or through partnership with third parties and may conclude all contracts necessary for the good performance of such business.

1.2
Strategic Direction

The Company continued to apply the strategic direction that was previously announced in 2013, as follows:

- Focusing on investment in the development of 3- to 4-star hotels and luxury residential communities. Therefore, the Company will invest in hotel and real estate development so that the Company's portfolio will include more than 25 hotel and real estate facilities in the next five years.

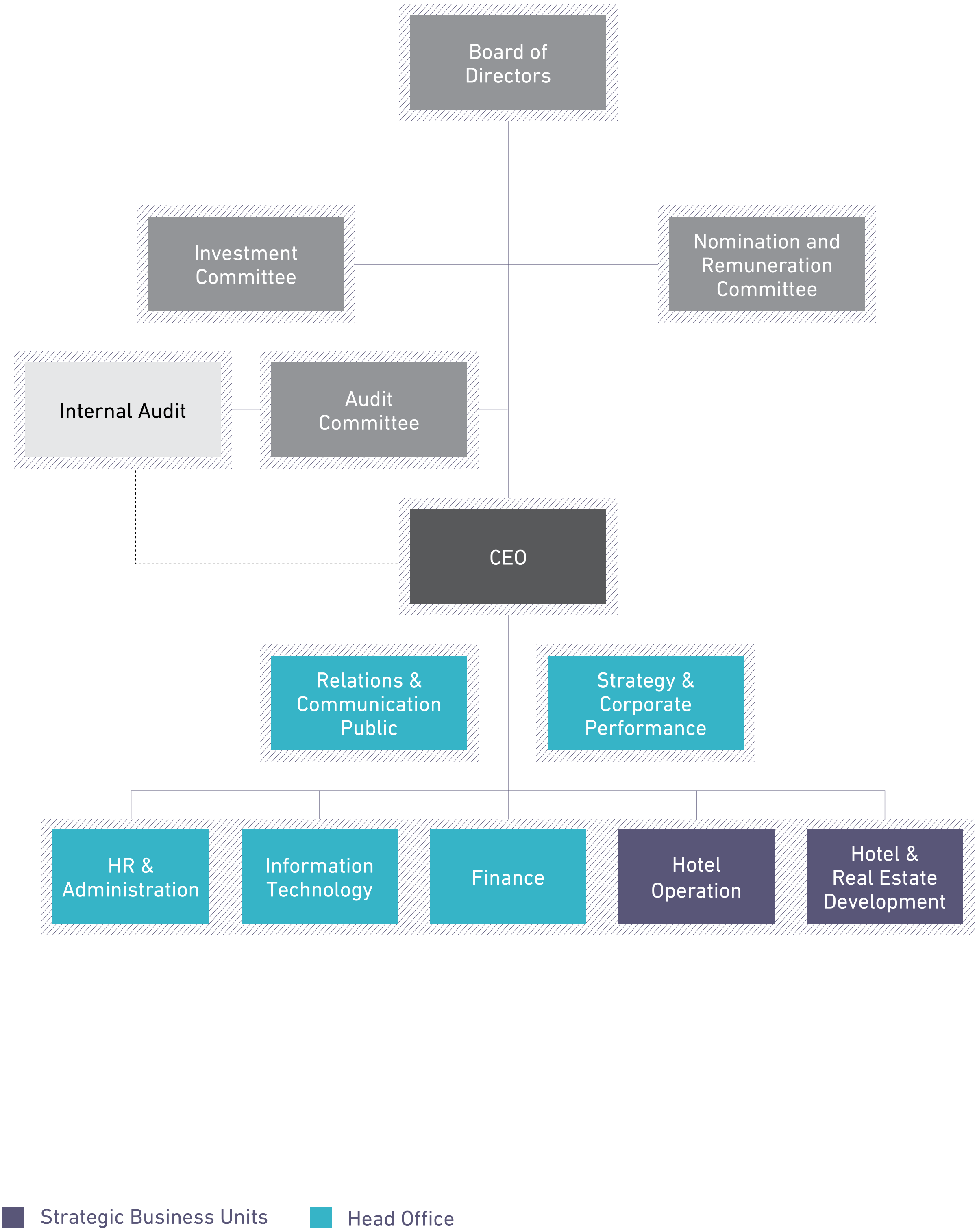
- Improving the performance of current facilities and investments.

- Building strategic partnerships and alliances with international corporations and brands specializing in hotel management and operations related to the Company's hotel operation portfolio in key cities and locations across the Kingdom.

- Expanding the demographic distribution of Makarem Hotels, which is renowned for its presence in the Two Holy Mosques' cities.

Together these investment factors are significant for continuous growth of revenue from operating proceeds and hence an increase in net profit, to preserve the equity and confidence of our shareholders. Therefore, we aspire to increase the Company's general annual revenue by a factor of three by 2023.

1.3
Organizational Chart



1.4
Key Achievements

Dur Hospitality carried on its strategic plan for hospitality investment and development. The following is a brief overview of the key achievements in the past year:

"Dur Hospitality Company" named
'Hospitality Company of the Year 2017'

Dur Hospitality was named "Hospitality Company of the Year" at the 2017 MEED Awards held in Dubai on 27 November.

مجتمعات دور
Dur Communities

Unveiling Dur Communities' new identity

Towards the end of 2017, Dur Hospitality launched the new identity of "Dur Communities", the residential facility and property management arm of the company. Dur Communities operates seven residential complexes in Saudi Arabia, with more than 800 residential units under management.

Dur Hospitality leases all units of the Third Phase of DARRAQ Project

Dur Hospitality confirmed the third phase of DARRAQ residential project, located in Riyadh's exclusive Diplomatic Quarter, is fully occupied. Furthermore, it has launched the leasing of the fourth phase of DARRAQ project, which includes a range of modern and fully-furnished villas and apartments.

Dur Hospitality sponsors "Tahseen" Hospitality Training Program

In support of the Saudi qualified talents in the hospitality sector, Dur Hospitality adopted the "Tahseen" program, initially launched by Marriott International. In its first phase, the program targets 50 Saudis, who have experience, desire and willingness to work and develop a career in hospitality. "Tahseen" program, which is developed in conjunction with Cornell University, spans 12 to 18 months. The program offers graduates six months of cross-exposure to all departments, as well as six to 12 months of departmental specialization led by a team of professional leaders, in addition to managerial opportunities at the end of the course.

Makarem Hotels scoops 3 Awards at 2017 World Travel Awards

Makarem Hotels, the Saudi hotel brand owned by Dur Hospitality with a significant presence in the Holy Cities of Makkah and Medina, collected three awards at the 2017 World Travel Awards, the leading travel and tourism awards program. Makarem Hotels was named “Leading Hotel Group in Saudi Arabia 2017” for its outstanding hospitality services, while Makarem Annakheel Village was named “Saudi Arabia's Leading Resort 2017”. Riyadh Palace Hotel was also named “Saudi Arabia's Leading Business Hotel 2017”.

GREAT PLACE TO WORK®

Dur Hospitality named among Saudi Arabia’s “Great Places to Work 2017”

In recognition of Dur’s efforts to create a workplace environment that enables employees to innovate and excel, the Company was named a “Great Place to Work 2017”.

Makarem Hotels Hosted 662,790 Pilgrims during 2017

Makarem Hotels had a strong year catering to and accommodating Umrah tours and international tourism agencies. In total it hosted 446,441 Umrah visitors and 216,349 Hajj visitors in 2017.

Makarem Ajyad Makkah Hotel earns three awards

Makarem Ajyad Makkah received three separate awards for its service standards, operational management and efforts to strengthen its position in the hospitality industry, especially in the Western Region. Based on sophisticated criteria that included positive customer reviews in terms of quality of service provided, competitive pricing in the marketplace and its outstanding online offers, Makarem Ajyad Makkah received the prestigious 2016 Gold Circle Award from Agoda.com.

Furthermore, the hotel's female Saudi chefs ranked third in the inter-hotel culinary competition held amongst the Kingdom's finest hotels. The competition was organized by the Saudi Arabian Chefs' Association (SARCA), under the direct supervision of the World Association of Chefs' Societies (WACS), staged during the 2017 Foodex Saudi, which was held at Jeddah Centre for Forums and Events.

And lastly, the hotel's chefs received a silver medal and two bronze medals at SaudiFood 2017. The team was recognised for its exemplary dedication to culinary skills, preparation, food taste and presentation, which reflected the culinary innovations of Makarem Ajyad Makkah hotel.

Makarem Hotels launches its Centralized Call Centre, Mobile Application and Karam Club Loyalty Program for Corporates

On the sidelines of its participation at Arab Travel Market (ATM) 2017 in Dubai, Makarem launched its centralized call centre, which enables guests to book stays at any Makarem Hotel by calling a national telephone hotline. Makarem also launched its own mobile application, compatible with Android, iOS and Windows platforms, that includes a range of unique features. In addition, the new Karam Club loyalty program rewards corporate employees with special offers in hotels and resorts around the world, by enabling them to collect points and redeem them with partners.

Makarem Hotels Win Eight Medals at Saudi Horeca 2017

Makarem Hotels' chefs set a new record by winning eight medals at Saudi HORECA 2017, the Saudi international food, beverage and hospitality exhibition. The exhibition was staged at Riyadh International Convention & Exhibition Centre from 27-29 November.

Business Sectors

2.0

2.1
Properties

Dur's properties portfolio consists of three main categories as follows:

2.1.1
Facilities owned by Dur

facilities owned by Dur and operated by others.

2.1.2
Facilities owned or leased and operated by Dur

facilities owned and operated by Dur through any of its operational arms and hotel brands.

2.1.3
Facilities owned by others and operated by Dur

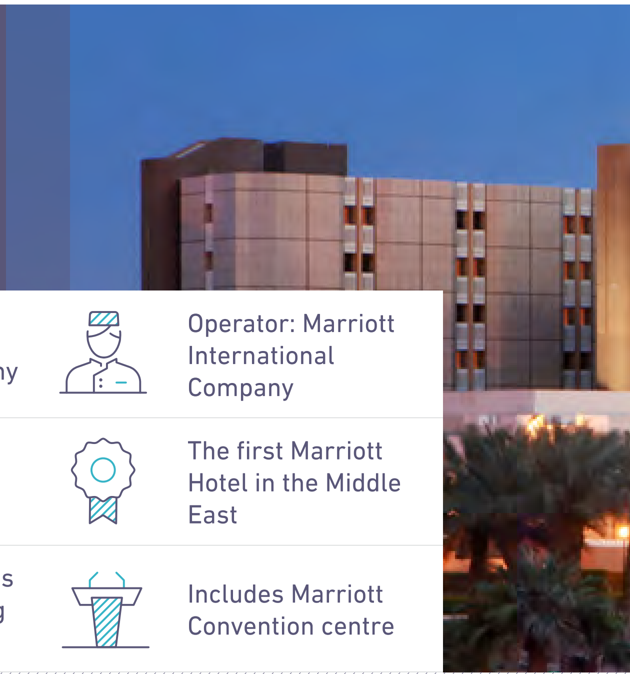
facilities owned by third parties and operated by Dur through any of its operational arms.

Following is a breakdown of these sectors:


مكارم
MAKAREM
Marriott

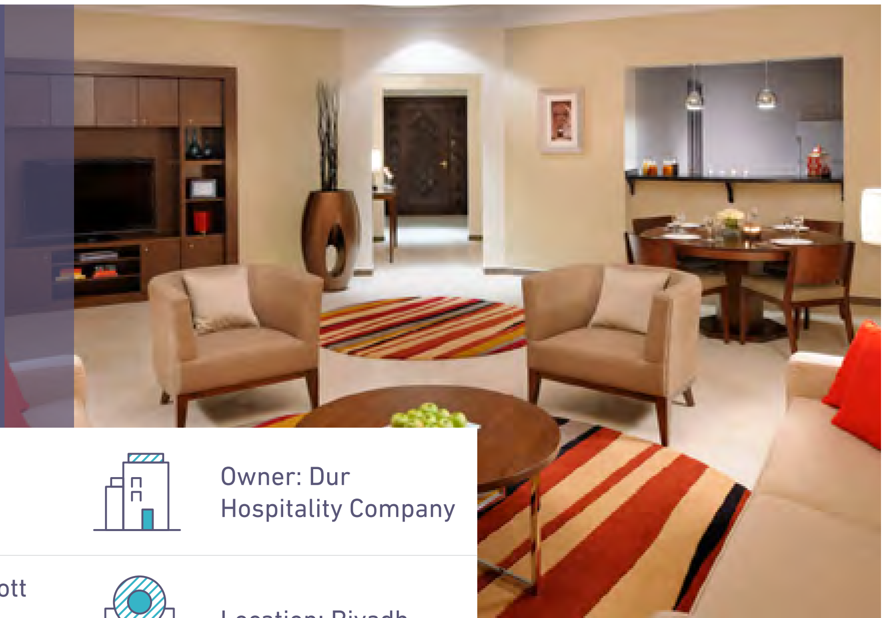
2.1.1
Company Owned Properties

Riyadh Marriott Hotel



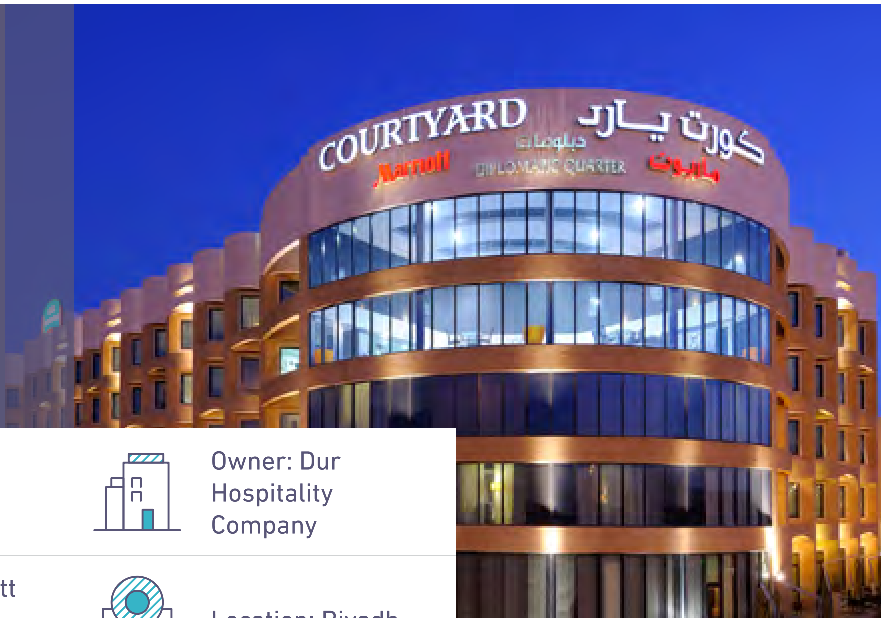
- 418 Rooms and suites
- Owner: Dur Hospitality Company
- Operator: Marriott International Company
- Location: Riyadh
- Five-star hotel
- The first Marriott Hotel in the Middle East
- A number of luxurious restaurants
- Features a business centre and meeting rooms
- Includes Marriott Convention centre

Marriott Executive Apartments Riyadh



- 117 Suites
- Owner: Dur Hospitality Company
- Operator: Marriott International Company
- Location: Riyadh
- Four-star hotel
- Consists of 13 floors with 117 suites in different sizes

Diplomat Courtyard Marriott Hotel



286 Rooms and suites

Owner: Dur Hospitality Company

Operator: Marriott International Company

Location: Riyadh

Four-star hotel

It is the first Marriott "Courtyard" hotel opened in KSA.

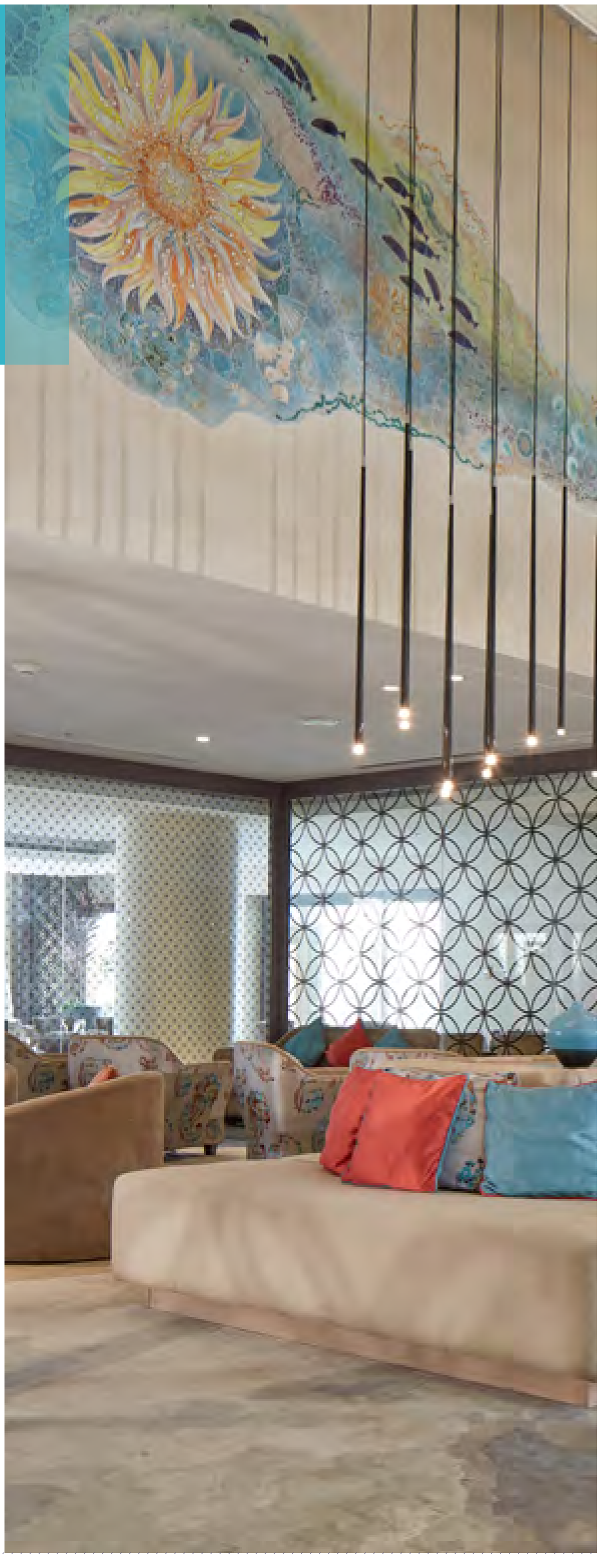
It features an integrated fitness centre, a restaurant, a business centre and a number of meeting rooms

2.1.2
Company owned \ leased and operated properties

Makarem Ajyad Makkah Hotel

- 411 Rooms and suites
- Owner: Makkah Hotels Co. Ltd., with 99.44% of its capital owned by Dur
- Operator: Dur Hospitality Company – Makarem Hotels
- Located in Makkah
- Five-star hotel
- Events venue
- Unique location beside the Holy Mosque in Makkah,
- Shops

Makarem Annakheel Village



112 Villas, 21 hotel apartments

Owner: Annakheel Village Resorts Co., with 98.73% of its capital owned by Dur

Operator: Dur Hospitality Company – Makarem

Located in Jeddah

Four-star hotel

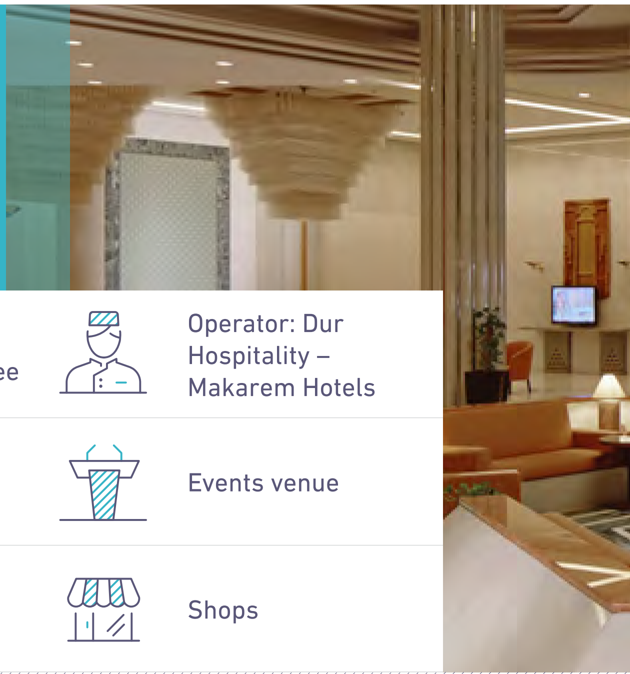
Events venue

A restaurant and health club

Shops

Berth for yachts and boats, a sandy beach offering an array of marine activities and a seaside plaza that can accommodate up to 800 guests.

Makarem Riyadh Hotel

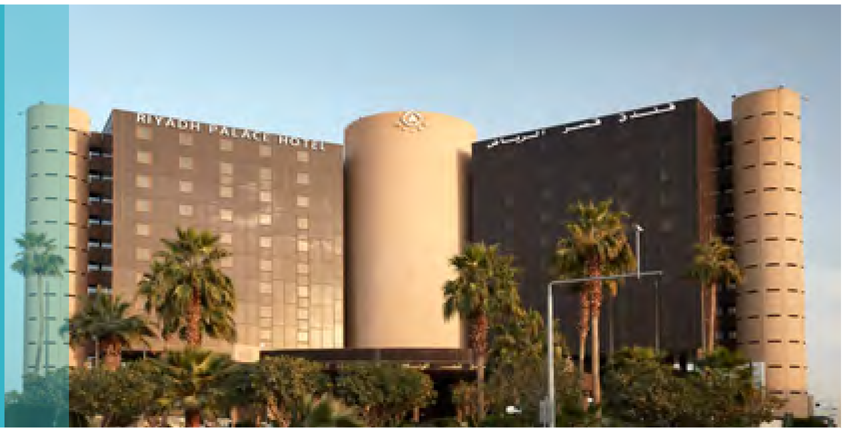


248 Rooms and suites	Owner: GACA, Dur Hospitality as lessee	Operator: Dur Hospitality – Makarem Hotels
Located in Riyadh	Five-star hotel	Events venue
Health club	Sports ground	Shops

Holiday Inn Tabuk Hotel

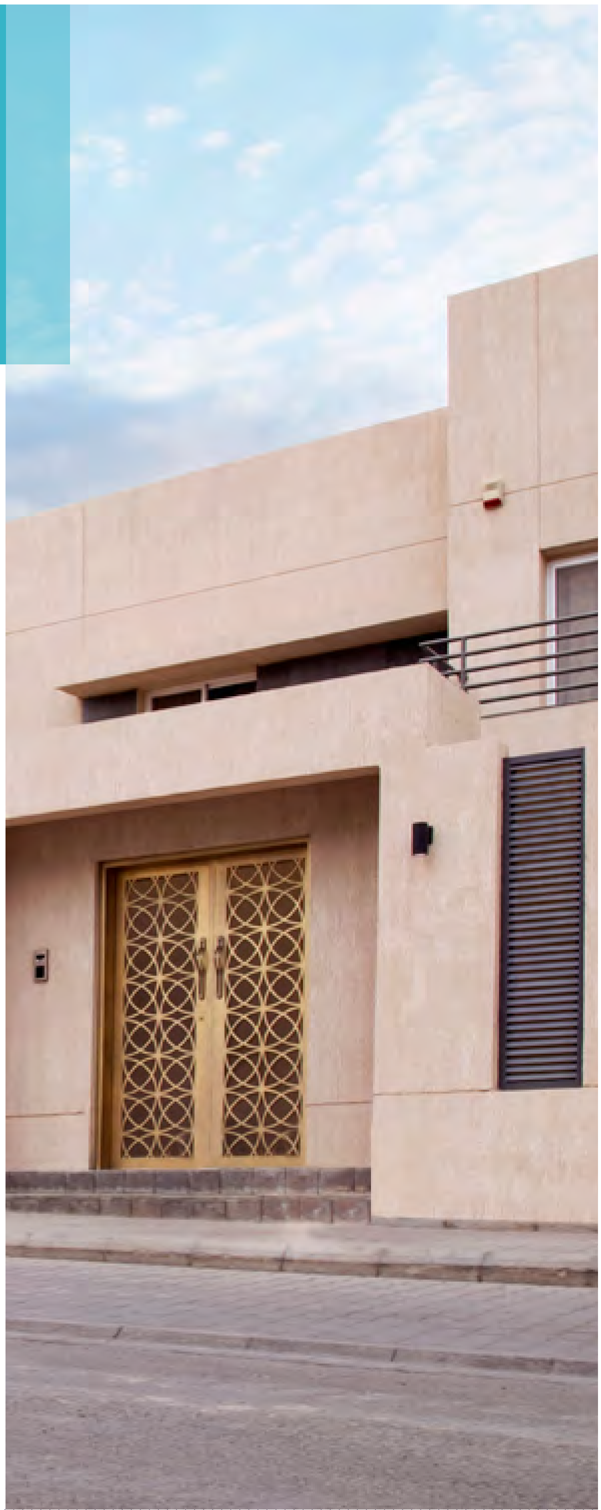
83 Rooms and suites	Owner: Tabuk Hotels Co. Ltd., with 97.14% of its capital owned by Dur	
Operator: Dur Hospitality (under franchise from IHG)	Located in Tabuk	Three-star hotel
Events venue	Sports facilities and a health club	Shops

Riyadh Palace Hotel



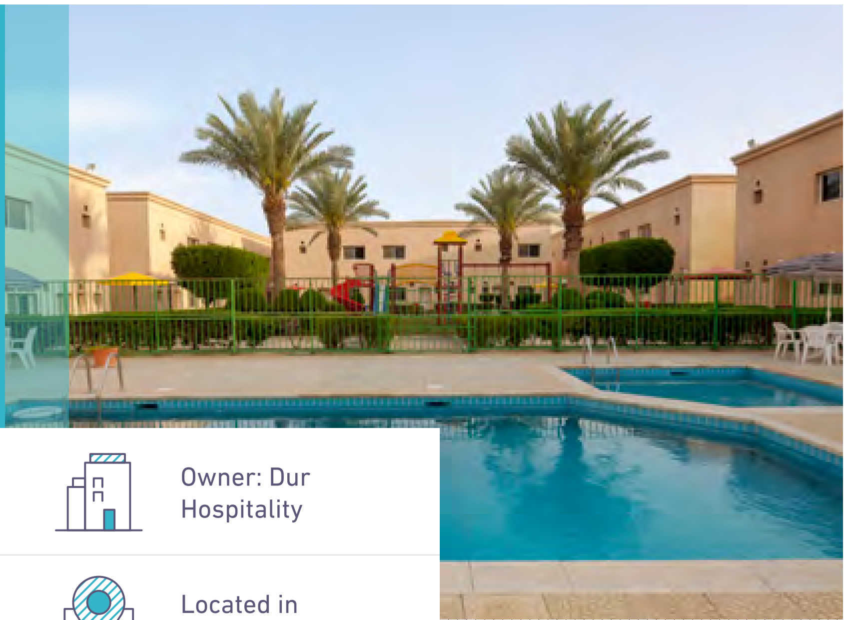
304 Rooms and suites		Owner: Saudi Hotel Services Co., with 70% of its capital owned by Dur Hospitality			
Operator: Dur Hospitality, Riyadh Palace (Makarem Hotels)		Located in Riyadh		Five-star hotel	
Events venue		Located at the heart of Riyadh, close to key ministries, entities and banks		Health club	

Darraq Villas



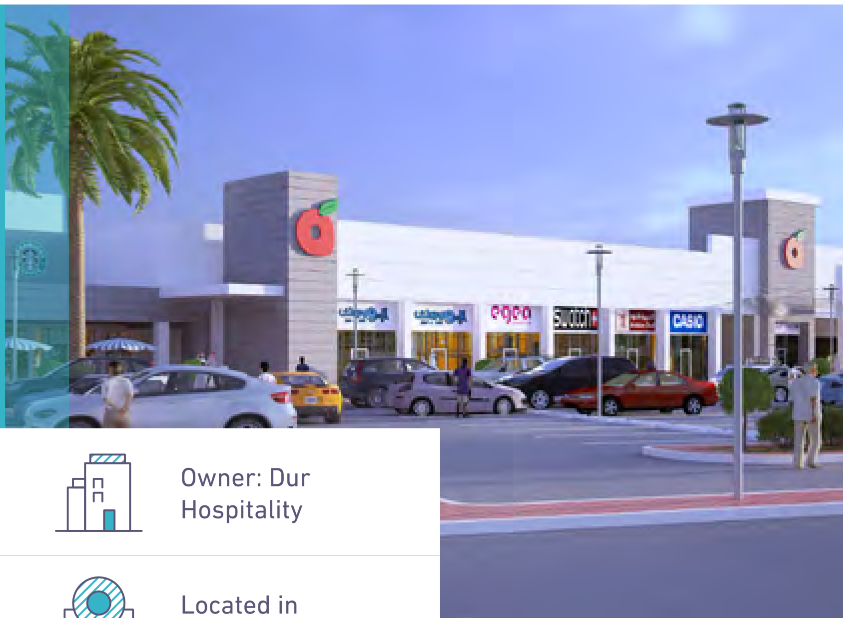
- 214 Residential units
- Owner: ADA
- Operator: Dur Hospitality
- Developer: Dur Hospitality
- Location: Riyadh
- Luxury residential units ranging from villas to apartments

Dur AL-Sharq Compound



19 Villas 59 Rooms	Owner: Dur Hospitality
Operator: Dur Hospitality	Located in Riyadh
Parks, playgrounds and a health club	Full maintenance services

Al-Takhassusi Plaza



More than 20,000 m2 rental space	Owner: Dur Hospitality
Operator: Dur Hospitality	Located in Riyadh
Offers a wide selection of well-known international and local brands	One of the most important shopping malls in Riyadh

2.1.3
Properties owned by others and operated by Dur

Makarem Umm Alqura Hotel

- 336 Rooms and suites
- Owner: Assila Investment Co.
- Operator: Dur Hospitality – Makarem
- Located in Makkah
- Five-star hotel
- Restaurant
- Meeting rooms
- Shops

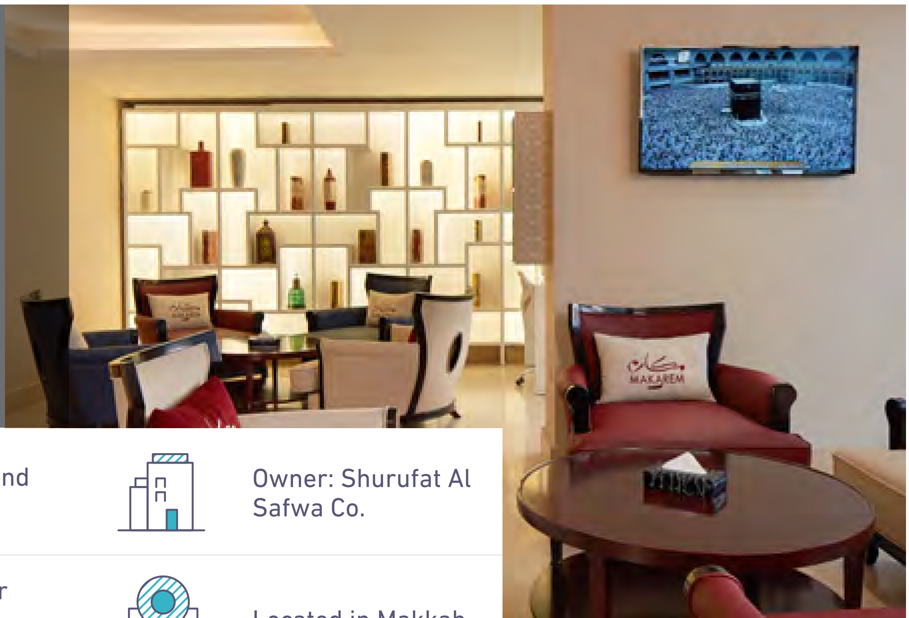
Makarem Al-Bait Hotel

- 270 Rooms and suites
- Owner: Assila Investment Co.
- Operator: Dur Hospitality – Makarem
- Located in Makkah
- Four-star hotel
- Restaurant
- Meeting rooms
- Shops

Makarem Mina Hotel

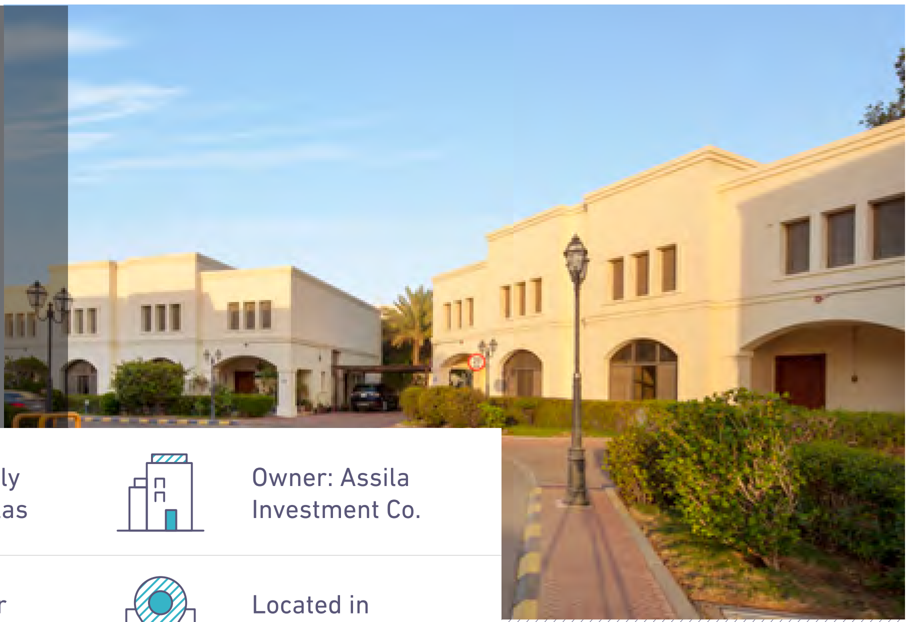
- 294 rooms and suites
- Owner: Inheritors of Sheikh Mohamed bin Ibrahim Al Ghamdi
- Operator: Dur Hospitality – Makarem Hotels
- Located in Makkah
- Four-star hotel
- Restaurant
- Events Venues
- Shops

Makarem Al-Shurufat Hotel



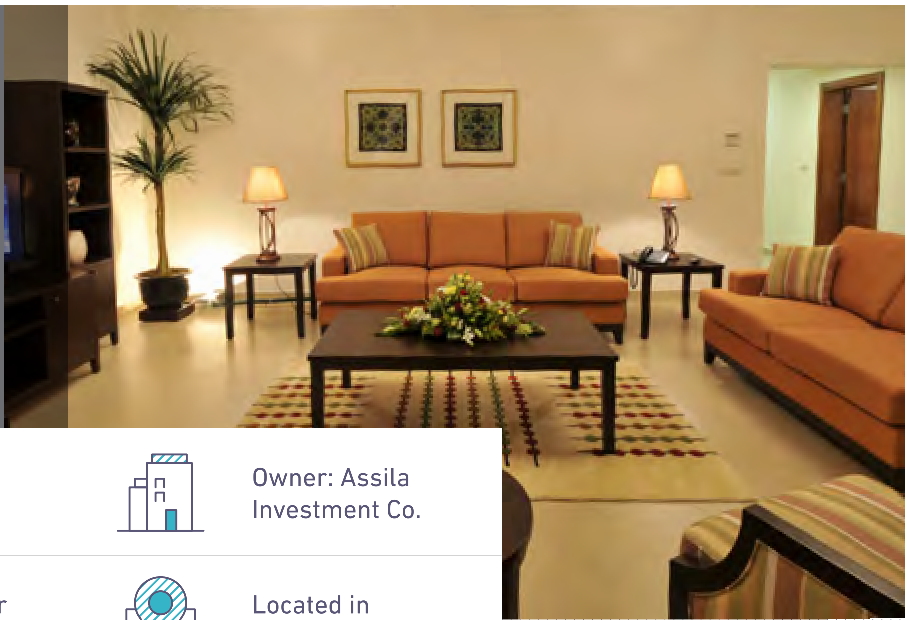
- 104 Rooms and suites
- Owner: Shurufat Al Safwa Co.
- Operator: Dur Hospitality – Makarem Hotels
- Located in Makkah
- Three-star hotel
- Restaurants and meeting rooms

Dur Al-Andalus Residence Compound



30 Luxuriously furnished villas	Owner: Assila Investment Co.
Operator: Dur Hospitality	Located in Jeddah
Recreational facilities	Drivers' rooms

Al-Rawdah Residence Compound



28 Villas	Owner: Assila Investment Co.
Operator: Dur Hospitality	Located in Jeddah
Health club	

Dur Al Bader Compound

40 Luxuriously furnished villas

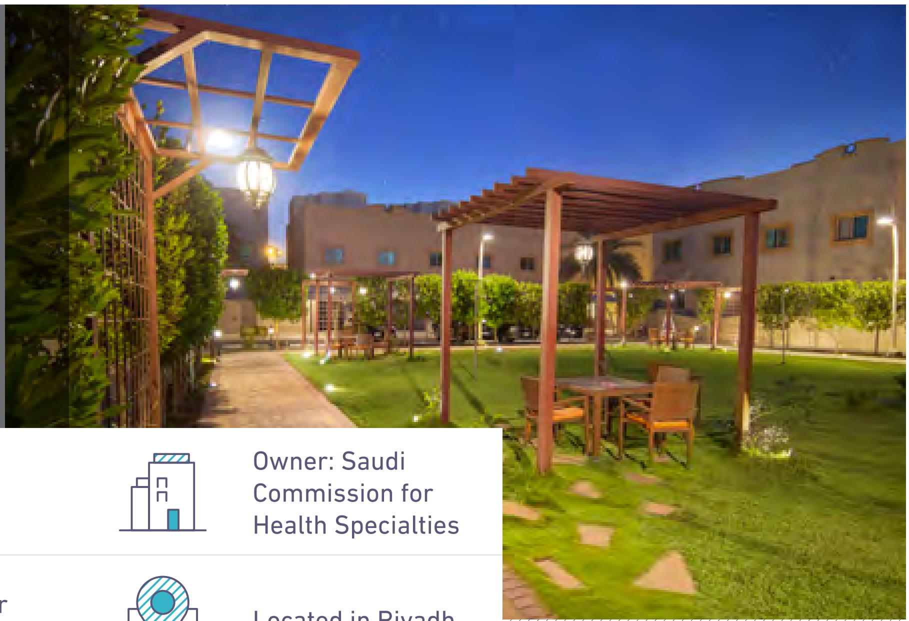
Owner: Assila Investment Co.

Operator: Dur Hospitality

Located in Riyadh

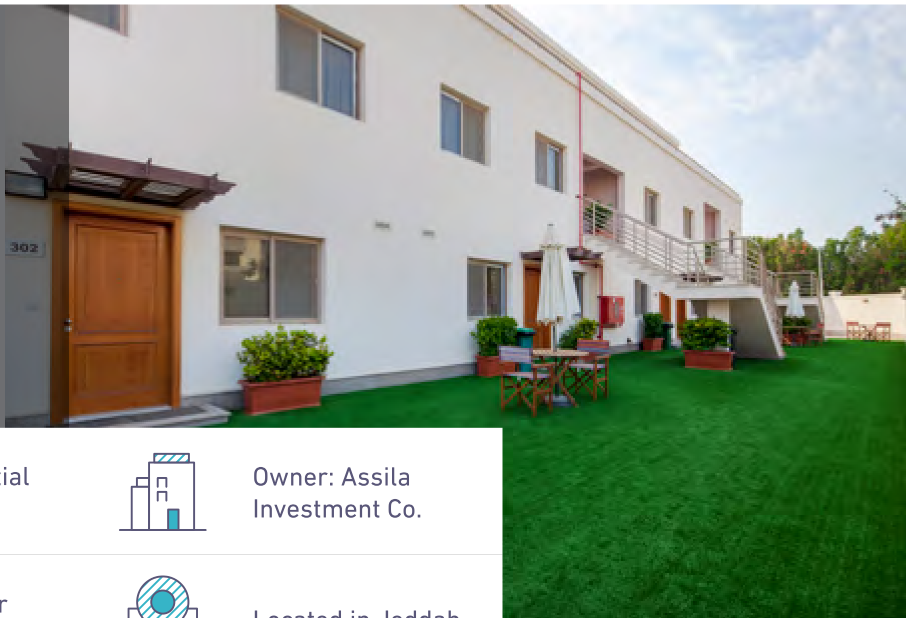
Sports facilities

Dur Al-Maather Compound



73 Villas	Owner: Saudi Commission for Health Specialties
Operator: Dur Hospitality	Located in Riyadh
Health club	

Dur Al-Yasamin Compound



168 Residential units	Owner: Assila Investment Co.
Operator: Dur Hospitality	Located in Jeddah
Fitness centre	

2.2 Projects under development

Projects sector is the major and vital pillar for implementing the Company's projects; since it is responsible for planning, studying, designing and implementing.

In addition to developing and upgrading existing projects and facilities, depending on our practical and scientific experience to keep abreast of local and international modern technological techniques in development and design.

The projects we completed throughout the year, the projects under development and implementation, and the projects under study and design are detailed below:

Completed Projects

1. Development of the third phase of Darraq Residences project in Diplomatic Quarter.

Projects under development and implementation

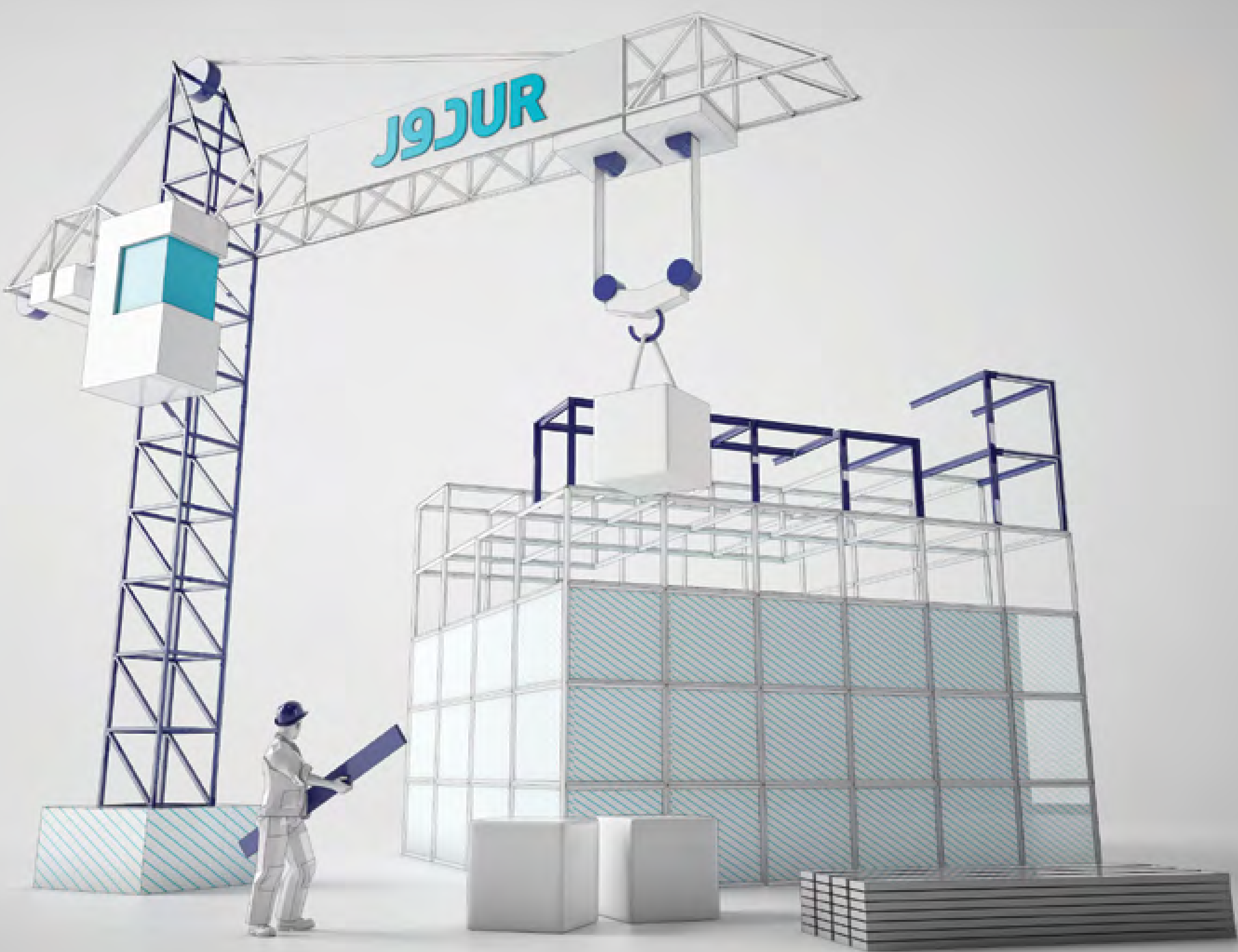
1. Development of Darraq Residences project (phase 4) in Diplomatic Quarter-Riyadh.
2. Development of Darraq Residences project (phase 5) in Diplomatic Quarter-Riyadh.
3. Development of Marriott Hotel and Marriott Executive Apartments in Diplomatic Quarter-Riyadh.
4. Development of Twaiq Residential Compound.
5. Development of Alwadi Residential Compound.
6. Development Holiday Inn Jubail Hotel and Suites.
7. Renovation of Makarem Ajyad Makkah Hotel.
8. Renovation of Al-Takhassusi Plaza.
9. Renovation of Makarem Riyadh Airport Hotel.
10. Renovation and development of Riyadh Palace Hotel (phase 1).
11. Expansion of Makarem Riyadh Airport Hotel.

Projects under study and design

1. Expansion of Makarem Ajyad Makkah Hotel.
2. Expansion of Makarem Annakheel Village
3. Development of Darraq Residences project (phase 6) in Diplomatic Quarter-Riyadh.
4. Development of hotel apartments and expansion of the ballroom in Holiday Inn Tabuk Hotel.
5. Development of Holiday Inn Hotel and Suites in Al-Ahsa.
6. Development of Jeddah Courtyard Hotel and Residence Inn.
7. Development of Yanbu Courtyard Hotel and Residence Inn.
8. Studying the development of King Khalid Road land in Riyadh.
9. Studying the development of Dur Al-Hada Compound in Riyadh.

11
Projects under development and implementation

9
Projects under study and design



2.2.1
Completed Projects

Development of Darraq Residences project (phase 3) in Diplomatic Quarter

The Company developed the 3rd phase of Darraq projects on a number of land plots leased from the ADA in the Diplomatic Quarter over an area of 57,807 m2. The project features 76 villas equipped with the latest smart-home systems and fully furnished 35 apartments.

57,807
Square Meters

76
Villas equipped with the latest smart home systems

35
Fully furnished apartments

2.2.2
Projects under development and implementation

Development of Darraq Residences project (phase 4) in Diplomatic Quarter-Riyadh

The project is developed on a number of land plots leased from the ADA in the Diplomatic Quarter spanning an area of 37,774 m2. It comprises 41 villas equipped with the latest smart home systems and 45 fully furnished apartments.

37,774
Square Meters

41
Villas equipped with the latest smart home systems

45
Fully furnished apartments

Development of Darraq Residences project (phase 5) in Diplomatic Quarter-Riyadh

The Company is developing a number of land plots leased from the ADA in the Diplomatic Quarter with an area of 8,736 m2, which contains 13 land plots. The project features 55 fully furnished residential units equipped with the latest smart home systems.

8,736
Square Meters

13
Land plots

55
Fully furnished residential units

Development of Marriott Hotel and Marriott Executive Apartments in Diplomatic Quarter-Riyadh

A piece of land with an area of 25,000 m2 is currently under development at the Diplomatic Quarter in Riyadh. The land is leased from the High Commission for the Development of Arriyadh (ADA) for the purpose of developing Marriott Hotel and Marriott Executive Apartments, which will be managed by Marriott International. The hotel consists of 80 rooms and suites, 140 5-star luxury executive apartments.

25,000
Square Meters

80
Rooms and suites

140
5-star luxury executive apartments

Development Holiday Inn Jubail Hotel and Suites

Development of Twaiq Residential Compound

A land with a total area of 7,000 m2 in west Riyadh in Twaiq district allocated for the construction of a residential compound for employees of the company's hotels. The compound comprises 464-room and features numerous recreational facilities, including parks, playgrounds and a health club.

7,000
Square Meters

464
Rooms for the staff of the Company's hotels

Features numerous recreational facilities

Dur Hospitality is currently developing a piece of land with a total area of approximately 10,000 m2 in Jubail Industrial City, leased from the Royal Commission for Jubail and Yanbu. The land will be used to build a hotel under the Holiday Inn brand. The hotel will feature 144 rooms and suites, a health club and a main restaurant.

10,000
Square Meters

144
Rooms and suites

Main restaurant

Health club

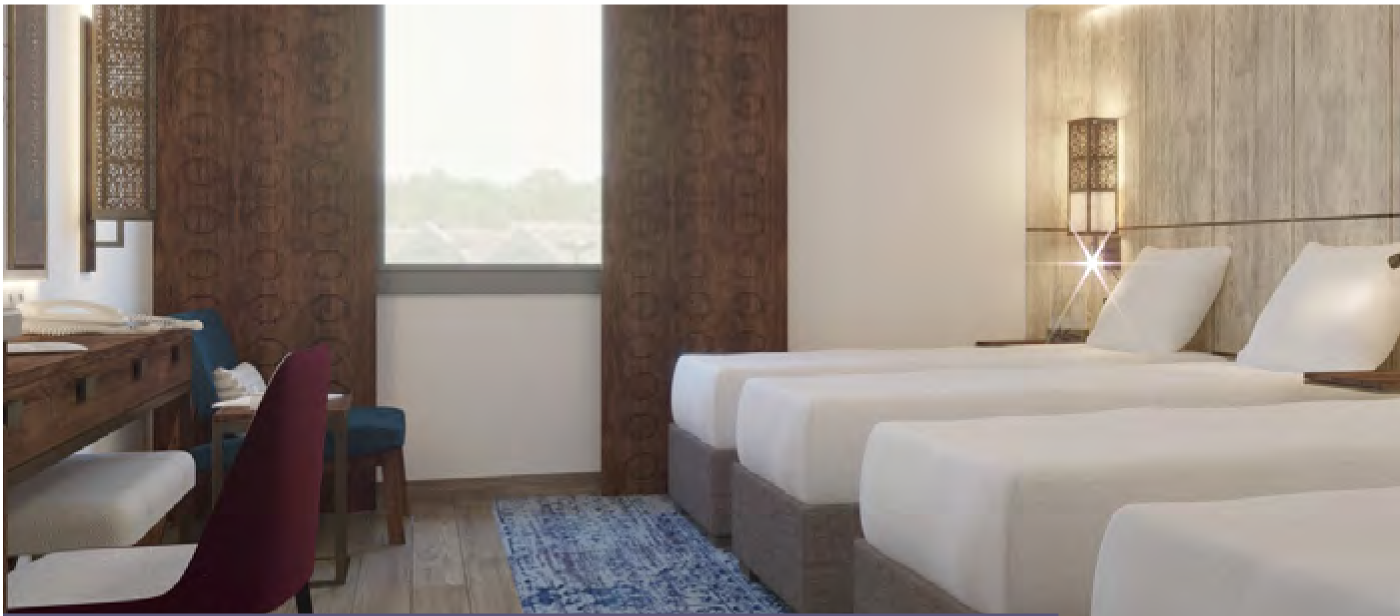
Development of Alwadi Residential Compound

A piece of land spanning a total area of 5,000 m2 at Wadi Laban district in western Riyadh has been allocated to develop a residential compound for the families of employees working at the Company's hotels. The compound features 66 residential units, a number of recreational facilities including parks, playgrounds, a health club and swimming pools.

5,000
Square Meters

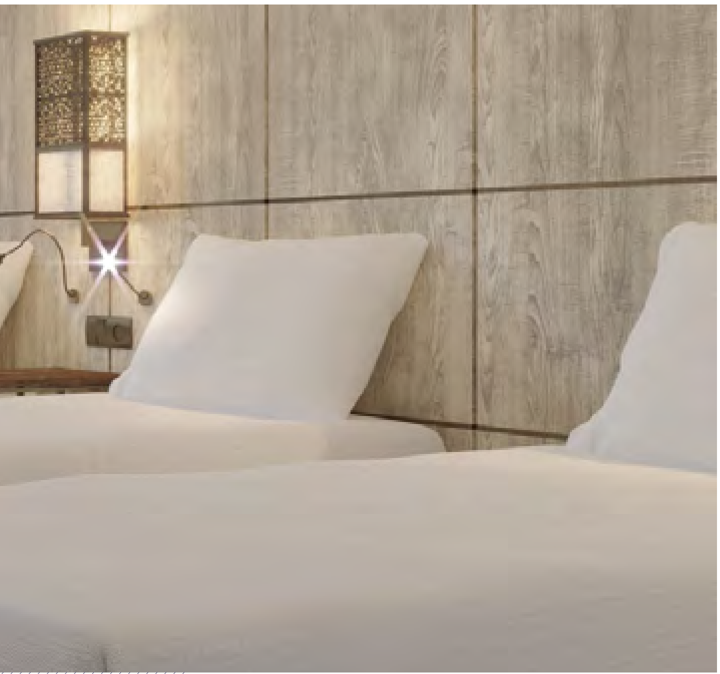
66
Residential units compound for the families of the employees of the Company's hotels

Features a number of recreational facilities



Renovation of Makarem Ajyad Makkah Hotel

Renovation of Al-Takhassusi Plaza



Makarem Ajyad Makkah Hotel is currently undergoing renovation and expansion. The hotel, which is located near the Holy Mosque, is owned and operated by Dur Hospitality. It boasts 411 rooms and suites, as well as a restaurant and events venues. The rooms of the existing building are currently being renovated to match the new identity of Makarem Hotels.

411
Rooms and suites

Restaurant

Events venue

Al-Takhassusi Plaza is one of the most important shopping malls in Riyadh. It is strategically located at the intersection of Makkah Road and Al Takhassusi Street, with close proximity to King Faisal Specialist Hospital and Research Centre. AlTakhassusi Plaza offers a wide selection of well-known international and local brands, a shopping centre and several restaurants.

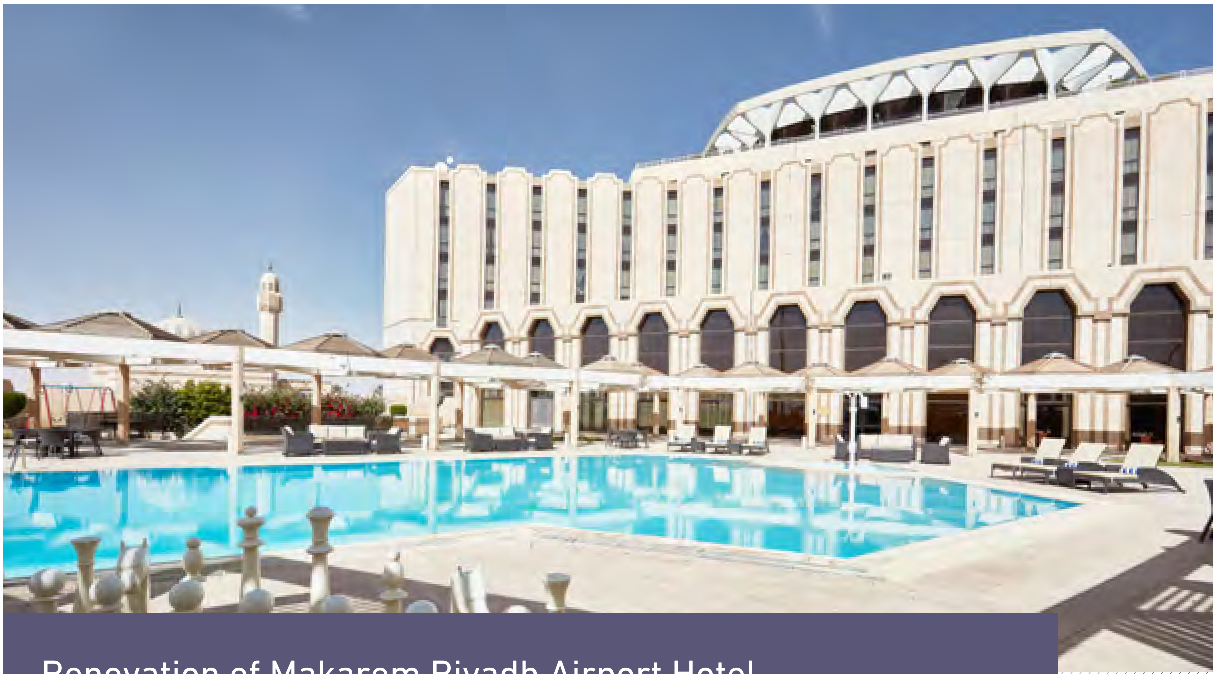
One of the most important shopping malls in Riyadh

Strategically located

Offers a wide selection of well-known international and local brands

Renovation and development of Riyadh Palace Hotel (phase 1)

Dur Hospitality is currently developing Riyadh Palace Hotel. The development process includes renovating the interior design of the existing building with all the rooms and facilities. The building consists of 304 hotel rooms. The first phase of the project is expected to be completed in the middle of the 3rd quarter of 2018 including: the preparation of a mock-up room, some improvements in the mechanical, electrical and IT work, as well as security and safety systems.



Renovation of Makarem Riyadh Airport Hotel

The Company is currently developing Makarem Riyadh Airport Hotel. The development process includes renovating the interior design of all 248 hotel rooms and suites of the existing building in addition to some hotel facilities.

Expansion of Makarem Riyadh Airport Hotel

The Company is expanding the hotel to by adding 100 rooms and suites in an annex that will house a health club for women.

2.2.3
Projects under study and design

Expansion of Makarem Ajyad Makkah Hotel

Dur Hospitality is expanding the hotel by building a new tower annexed to the existing building; to add new rooms with a better view overlooking the Holy Mosque.

Expansion of Makarem Annakheel Village

The Company currently implements the expansion works of Makarem Annakheel Village which is located at northern Obhur bay in Jeddah.

Development of Darraq (Phase 6) at the Diplomatic Quarter in Riyadh

The Company is developing a number of land plots leased from the ADA in the Diplomatic Quarter with an area of 31,980 m2. The project contains 14 land plots. it features 28 modern villas equipped with smart home systems.

Development of hotel apartments and expansion of the ballroom in Holiday Inn Tabuk Hotel

The company is looking to develop 61 executive apartment that comprise in addition to expanding the existing ballroom on a land with a total area of 2,400 m2.

Development of Holiday Inn Hotel and Suites in Al-Ahsa

The company has completed the preliminary designs for the development of Holiday Inn Hotel and Suites in Al-Ahsa on a land with total area of 10,135.5 m2. The hotel will include 60 hotel rooms and 60 hotel suites with recreational facilities.

Development of Jeddah Courtyard Hotel and Residence Inn

The company has completed the preliminary designs for the development of a hotel on a land with total area of 3,850 m2 on AlMadina Road in AlMuhammadiyah district. The project comprises of 238 residential units, 149 hotel rooms and 89 hotel apartments.

Development of Yanbu Courtyard Hotel and Residence Inn

The company has completed the preliminary designs for the development of Yanbu Courtyard Hotel and Residence Inn on a land plot of about 7,500 m2 leased from the Royal Commission for Jubail and Yanbu. The project comprises 150 residential units, 90 hotel rooms and 60 hotel apartments.

Studying the development of King Khalid Road land in Riyadh

The company has completed the preliminary designs for the development of a piece of land owned by Dur with a total area of 29,500 m2 located at King Khalid Road in Riyadh. It is a residential compound consisting of about 80 villas fitted with the latest equipment and services in addition to sports facilities.

Studying the development of Dur Al-Hada Compound in Riyadh

The company has completed the preliminary designs for the development of Dur Al-Hada Compound project a land plot of 19,900 m2 at Al-Hada district, Riyadh.

2.3
Dur Hospitality's Hotel Operations

Dur Hotel Operation Department manages and operates

9
Hotels

2,226
Rooms

The hotel operations department is the hotel management arm of Dur Hospitality.

Dur Hotel Operation conceived and launched Makarem Hotels, which caters to guests visiting the Holy Cities of Makkah and Medina. Abiding by the best international hospitality practices, Dur Hotel Operation established strategic partnerships with respected international hotel operators including Marriott International Hotels and InterContinental Hotel Group (IHG).

Dur Hospitality aims to be Saudi Arabia's partner of choice for the world's most respected international hotel brands. Leveraging more than 30 years' local expertise and knowledge of Saudi Arabia's hospitality market combined with the premium standards set by our international partners, Dur's Hotel Operations department delivers international-standard services with a local spirit.

Dur aims to help public and private investors / hotel owners overcome the challenges and difficulties of running a successful hotel. Backed by international expertise, a highly professional team and extensive asset management experience, Dur's Hotel Operations department meets investors' and owners' expectations and aspirations, delivering top-quality services from the hotel design and planning phase through to daily operations.

2.4 Dur Communities

مجتمعات دور
Dur Communities

Dur Communities is the residential facility and property management arm of Dur Hospitality Company.

Leveraging its experience in hotel operations and asset management, Dur Hospitality designed and created the “Dur Communities” brand, which is dedicated to managing and operating residential communities while delivering innovative and integrated residential solutions.

Dur Communities provides a range of professional facility, property, maintenance and security management services. It operates seven residential compounds located in key cities across Saudi Arabia, with more than 800 residential units under management, which are surrounded by green spaces in addition to sporting and recreation facilities.

Dur Communities Comprises

7 Communities

800+ Residential Units

2.5
Human Resources

Dur Hospitality considers its human resources as the cornerstone of its operations and the engine that drives its strategic plans.

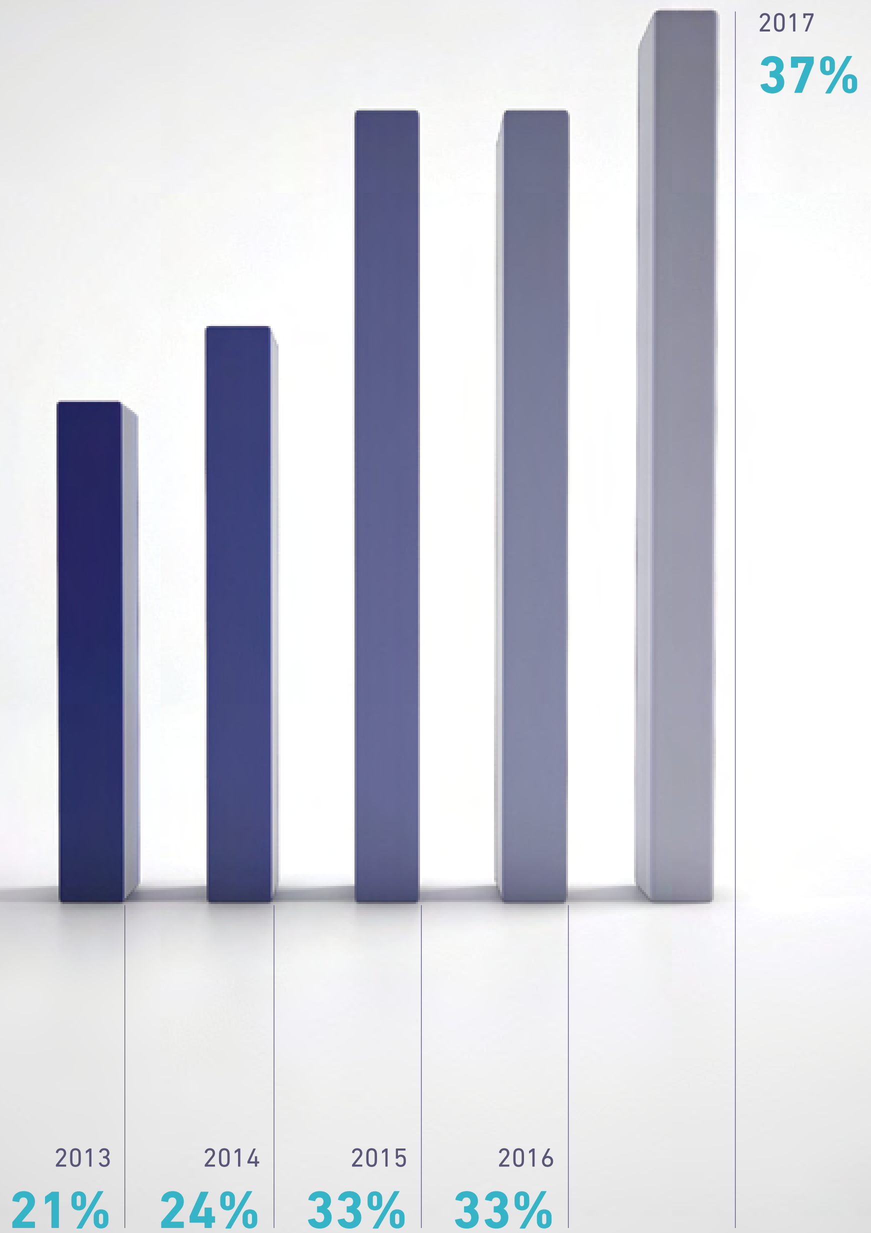
The following are the Human Resources Department achievements for 2017

First: Hiring and Saudization

Dur Hospitality recruited about 250 new employees in 2017, about 70% of whom are Saudi nationals. Dur was committed to recruiting the best-qualified staff from across Saudi Arabia, positively reflecting on the nationalization ratio, which reached 37% this year. We aim to raise our Saudization rate to more than 50% by 2020, with a focus on empowering women and providing them with appealing career opportunities.

250

New employees, 70% of whom are Saudis



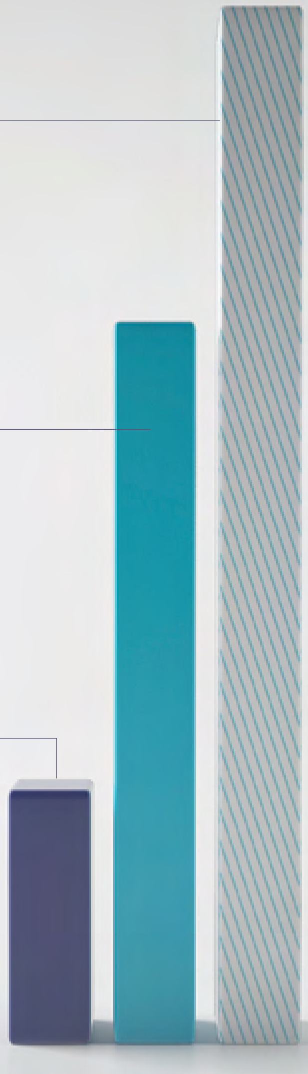
Second: Training and Development

During 2017, the company conducted approximately 312 training programs that were attended by 784 trainees with a total of 9,316 training hours. These professional courses covered many key informational and technical areas.

2017
9,316
Training hours

2016
6,352
Training hours

2015
2,250
Training hours



The development and expansion of training activities over the past years

Third: Human Resources Guides

1.Succession Management and Career Path Guide

- During 2017, the company established the Succession Management Guide. The company has identified candidates for job succession programs, through applying a 360-degree leadership skills and technical competences evaluation to identify employees with outstanding competencies.

2.Professional Competences Guide

- The company completed the preparation of the “Professional Competences Guide”, which clearly determines the set of knowledge, skills and attitude required to fulfil job requirements.

3.Job description library

- After the job descriptions were developed for senior and management positions in 2016, the company has completed the job description library for all positions.

Fourth: “Great Place to Work 2017” Award

In recognition of Dur’s efforts to create a workplace environment that enables employees to innovate and excel in their customer services, the company was named among the winners of “Great Place to Work 2017”.

Fifth: Common Services, Procedures and e-Operations

- We have taken the first steps towards implementing Human Resources unified services, by merging the Human Resources teams of the facilities with the Human Resources Department at the headquarters.

- We have also completed the Human Resources services guide, that determines the requirements for implementing employee services, and clarifies service level agreements between departments, as well as the period of time associated with the implementation of each service.

- In addition, we launched a project to automate all human resources services through a standardized electronic system “Human Capital Management System” (HCM).

2.6
Information Technology

Information Technology Department in Dur Hospitality is responsible for providing the technological requirements that ensure facilitated and easy business process.

Connect
18
Sites

+6 TB
Storage Capacity

Protect
86
Systems

This includes all matters relevant to technological infrastructure, like main servers, networks, backups, computers, printers, and security of the systems that manage the Company's resources, minimizing the human intervention to reduce errors and proceeding with the development of these systems to be in line with the Company's expansion strategies.

Throughout 2017, Dur Hospitality completed a number of major projects including:

- Connecting 18 sites using DIA technology with a total capacity of 225 Mbps.
- Ensure the confidentiality, integrity and availability of data and store information for the Company and its facilities in data capacity exceeding +6TB.
- Protecting 86 company systems from hackers, viruses, malware, spyware and other threats.
- Management of 585 residential units on the system.
- The automation of electronic approvals produced 6,167 operations in 2017 compared to 5200 in 2016.
- Development and automation of consolidated financial reports (profit and loss, income statement, cash flow, as well as VAT).
- Activate the control and observation of projects budget to follow up the percentage of completion and costs incurred.

2.7
Social Responsibility

Dur Hospitality is honoured to be recognised as a pioneer of Corporate Social Responsibility programs in the Kingdom of Saudi Arabia.

The foundation of Dur's CSR initiatives is to utilize the Company's skills, expertise and human resources to address the community's needs. Three key areas have been identified within the CSR strategy:

Area one:

Protect the environment and preserve natural resources.

Area two:

Empower national talent.

Area three:

Support social initiatives.

The following are highlights of Dur's CSR activities during 2017:

13

tons of electronic and electrical waste.

More than 13 tons of electronic and electrical waste were recycled in support of "Sponsor an orphan with your old devices” initiative

In cooperation with the Charity Committee for Orphans Care (Ensan) and TADWEEER (Recycling of Electronic and Electrical Equipment), Dur contributed to the initiative of “Sponsor an Orphan with Your Old Devices” by collecting and recycling more than 13 tons of electrical and electronic waste from the company's headquarters and its facilities in Riyadh. Tadweer collected this waste from hotels and properties then reimbursed Ensan for this waste value.

Makarem Hotels Launches “Enaya” Energy Saving Initiative

By implementing simple and inexpensive eco measures, Makarem developed the “Enaya” initiative to save water, electricity and LPG in all its hotels.

7300
pieces of used linen, towels, bed sheets and blankets were donated

Continuing the “Linens for Livelihood” Campaign, Dur donated more than 7,300 pieces of used linen, towels, bed sheets and blankets:

Following the success of the 2016 “Linens for Livelihood” campaign, in which more than 23,000 pieces of used linen, towels, bed sheets and blankets were collected and donated to charities, Dur Hospitality was nominated for an “Impact” award recognising the top 20 CSR initiatives in the Middle East. This initiative continued in 2017 with about 7,300 items donated.

528
Blessing Boxes

90kg
of Clothing

528 Blessing Boxes and 90kg of Clothing was distributed during the Holy Month of Ramadan:

For the second consecutive year, 528 boxes containing 16 types of foodstuffs were distributed to 260 underpriveleged families serving more than 1,000 individuals during the Holy Month of Ramadan. The ingredients were purchased, packed, assembled, and distributed by Dur HQ employees. In addition, Dur`s CSR team has created an opportunity for all employees to extend their Eid happiness to the less fortunate, by donating unused or used clothes in good condition. About 90kg of clothing was collected and donated to the needy in partnership with Banyan Women's Charitable Association for Family Development.

Furnishing the Female Section of The Cooperative Office for Call and Guidance

Under the supervision of the Ministry of Islamic Affairs, Endowment, Islamic Propagation and Guidance, Dur furnished the female section of The Cooperative Office for Call and Guidance through the donation of office furniture and a number of refurbished electronic devices.

Selecting more than 100 Students for the Custodian's Scholarship Program "Your Job is your Scholarship"

In collaboration with the Saudi Commission for Tourism and National Heritage (SCTH), Dur Hospitality helped select more than 100 students who had been previously nominated by the Ministry of Education to join the "Your job is your scholarship" Custodian's scholarship program. Dur will monitor the students' progress over the next three years until they graduate and join the Company. Students will also take part in a summer training program at Dur's facilities.

Developing the Workplace for Special Needs Employees

Nine employees with special needs were employed in various roles within the Company. Each workplace was modified to accommodate these staff and to ensure they can work and easily move around on the premises.

Summer Training and Cooperative Training for 29 Male and Female Students

In coordination with the Ministry of Labour and Social Development and the Human Resources Development Fund (HRDF), Dur Hospitality conducted training for 29 male and female students across its hotels and offices, and introduced them to the nature of the business and the various employment opportunities available in the hospitality industry. Furthermore, in coordination with Prince Sultan University, five female architecture and interior design students completed their cooperative training with Dur Hospitality. It is worth mentioning that in 2017, Dur Hospitality employed five trainees.

Ekram Initiative

Dur Hospitality signed a cooperative agreement with Disabled Children Association (DCA), Ensan Charity Committee for Orphans Care, and Down Syndrome Children Association (DSCA) to implement the "Ekram Initiative" Program, which aims to call on guests of Dur hotels to contribute to supporting their charity programs.

Blood Donation Campaigns

Like every year, Dur coordinated blood donation campaigns in cooperation with King Faisal Specialist Hospital at its Head Office and a number of its hotels.

Donation Booths

Makarem Hotels established donation booths for the Disabled Children Association (DCA) in its Makkah Hotels during Ramadan. The initiative invited guests to contribute directly to supporting the DCA's mission and charity programs.

DCA in Makarem Annakheel Village

Makarem Annakheel hosted employees and members of the Disabled Children Association (DCA) in Jeddah to spend the whole day and enjoy Eid festivities, food, and the children`s activity village.

Hosting Chinese Pilgrims

As part of Dur's social responsibility program that designed to host new and needy Muslims in Makarem hotels, Dur Hospitality hosted 50 Chinese Umrah visitors in cooperation with the "Calling Chinese Centre" and the Cooperative Office for Propagation and Guidance in Nisim. The guests were hosted at Makarem Albait Hotel and received great care and attention. They were also introduced to Makarem`s exclusive services.

"Benaa" 2017 Summer Trip

Dur Hospitality sponsored the "2017 Summer Trip", organized by "Benaa", the Charity Association for Orphans Care in the Eastern Region, and hosted 30 orphans in its Riyadh, Makkah, and Jeddah properties.

Community Partnership with "Bunyan":

In line with its social responsibility program, Dur has entered into a community partnership with the "Bunyan" women's charitable association for family development, under which Dur sponsors and supports the events held by the Charity and offers them the Company's facilities for their use. And to help achieve greater efficiency in the non-profit sector, Dur will employ its expertise in the field of investment to offer Bunyan advice on how to optimize the use of its available resources. Dur will also help the association prepare feasibility studies to ensure the continuity of its work and maximize benefits for all beneficiaries.

Smile You are Blessed 4th Anniversary hosting

Dur Hospitality hosted the "Smile You are Blessed" 4th Annual Anniversary Ceremony, which was staged at Riyadh Palace Hotel. Dur Hospitality is an avid supporter of this initiative that has contributed, since its establishment in May 2013, to create a more meaningful impact on the lives of cancer patients and survivors, and improve their quality of life, which would positively reflect on their therapy.

Grace Conservation Initiative

In line with its keenness to preserve leftover food and support those in need, Dur Hospitality is following the international quality and safety standards for packaging and preserving leftovers across its hotels, and privately donating them to needy families and individuals in collaboration with charities. Dur is also raising awareness amongst its guests, on the importance of food preservation.

Global Biking Initiative

Dur Hospitality sponsored the 2017 Saudi Bicycle Ride from Riyadh to al-Qassim. Cyclists rode for three days and covered nearly 400km in support of the "Arab Orphan Day". The ride also aimed to raise awareness on the importance of cycling and exercising in general.

CIAG's Summer School sponsorship:

Dur sponsored the Confidentiality, Integrity, and Availability Group's (CIAG) non-profit Information Security initiative, providing the organisation with the necessary facilities to establish its Summer School. Considered a first-of-its-kind initiative in the Arab world, the school caters to students interested in research programs and projects related to cyber security, IT, computing, and similar fields. The program includes short and intensive specialized courses covering the basics of information security to guide the students in clearly determining their professional or academic career path.

Financial Data and Business Results:

3.0

3.1
Financial Results for the last five years

The following statement of income summarizes the financial results for the last five years:

Description (SAR '...)	2013	2014	2015	2016	2017
Revenues	432,438	479,548	532,620	499,213	483,604
Cost of revenues	(294,055)	(312,078)	(353,421)	(352,117)	(353,093)
Gross profit	138,383	167,470	179,199	147,096	130.511
Operational profit	131,172	92,525	142,538	116,165	96,360
Net profit	**143,020**	**103,767**	**146,830**	**111,495**	**90,631**

3.2
Current year's operational results compared to last year's results

The following table shows the significant differences in operating results compared to last year's:

Description (SAR '...)	2016	2017	Change 16\17	Change %16\17
Revenues	499,213	483,604	(15,609)	-3.1%
Cost of revenues	(352,117)	(353,093)	(976)	0.3%
Gross profit	**147,096**	**130,511**	**(16,585)**	**-11.3%**
Other revenues	3,509	5,178	1,669	47.6%
Sales and marketing expenses	(1,509)	(1,668)	(159)	10.5%
General & administrative expenses	(38,121)	(33,499)	4,622	-12.1%
Realized gains from sale of investment in securities held for trading	6,917	-	(6,917)	-100.0%
Income\losses of investments in equity accounted investees	(1,727)	(4,162)	(2,435)	141.0%
Operational profit	**116,165**	**96,360**	**(19,805)**	**-17.0%**

The Board of Directors approved the final financial results of the Company for 2017, with a decrease in revenues to approx. SAR 15,6 million, down (3.1%) from the previous year 2016. Net Operating Income for 2017 was approximately SAR 96,4 million, with a decrease of SAR 19,8 million (17%) from 2016.

Net profit has decreased to approx. SAR 90,2 million in 2017, down by 19.1% compared to 2016, as a result of:

1. The revenues of some of the Company's facilities declined during the first nine months of this year due to lower demand by business sector, the decrease in Umrah market during the first half of the current year and the partial closure of some of the company's facilities for developing and renovation works to keep pace with the growing competition in the hotel market.
2. The company recorded losses of investments in equity accounted investees (Saudi Heritage Hospitality Company and Makarim Al Ma'arifa Hospitality Company) amounting to SR 4,2 million due to lack of operating revenues at the current phase as the projects of these companies are in the development stage.

It should be noted that during the current year, the company has been able to rationalize operating costs and general and administrative expenses. In addition, the previous year was affected by the realized profits from selling the stock portfolio with SR 5,7 million.

3.3
Assets and liabilities for the last five years

The following table shows a statement of assets and liabilities for the last five years:

Description (SAR '000)	2013	2014	2015	2016	2017
Total current assets	306,078	408,692	334,281	315,774	302,941
Total non-current assets	264,986	303,608	295,185	413,414	416,830
Net property and equipment	1,535,318	1,424,467	1,648,075	1,677,267	1,886,311
Total assets	**2,106,382**	**2,136,767**	**2,277,541**	**2,406,455**	**2,606,082**
Total current liabilities	178,228	209,284	204,559	251,754	294,409
Total non-current liabilities	123,295	144,252	238,788	338,950	486,442
Total liabilities	**301,523**	**353,536**	**443,347**	**590,704**	**780,851**
Total shareholders' equity	1,801,209	1,779,270	1,796,162	1,778,458	1,787,621
Non-controlling equity	3,650	3,961	38,032	37,293	37,610
Total liabilities and equity	**2,106,382**	**2,136,767**	**2,277,541**	**2,406,455**	**2,606,082**
Percentage of equity to assets	86%	83%	79%	74%	69%

3.4
Changes in shareholders' equity for the last five years

The following table shows a statement of change to equity for the last five years:

Year	Equity (SAR '000)	Increase (decrease)	Change %
2017	1,787,621	9,163	0.5%
2016	1,778,458	(17,704)	-1.0%
2015	1,796,162	16,892	0.9%
2014	1,779,270	(21,939)	-1.2%
2013	1,801,209	12,153	0.7%

2,61 billion riyals
Total assets for 2017

3.5
Loans

The Company obtained several loans to finance different projects as follows (in Saudi Riyals):

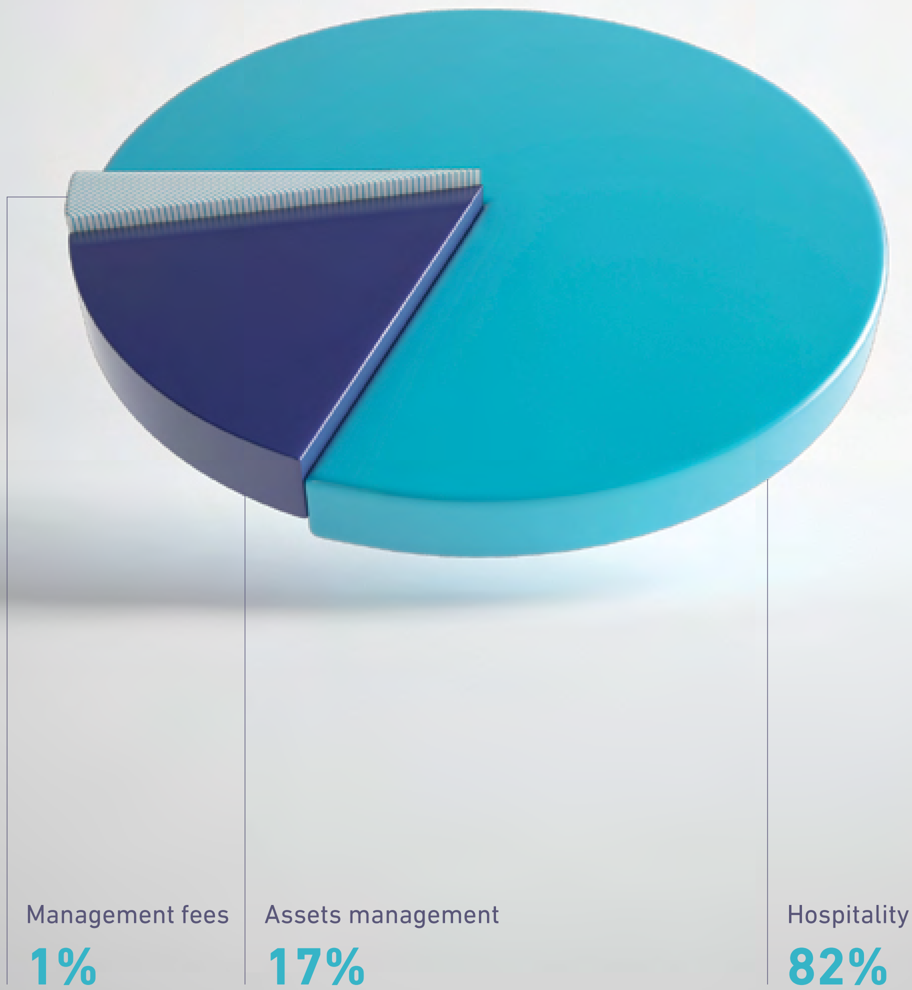
Description	Total loan amount	Term of loan	Total payments received from the loan	Total instalments paid in 2017	Total repayments	Company's total indebtedness by the end of 2017
Loans from local banks	771,900,000	5 to 7 years	676,320,785	117,241,618	206,571,071	469,749,714

3.6
Key activities contributing to revenue

The table below shows the contribution of the three main activities in the total revenues of the company during 2017:

Sector	Sector revenue (SAR '000)	Ratio
Hospitality	395,115	82%
Assets management	82,139	17%
Management fees	6,350	1%
Total	**483,604**	**100%**

483.60 million riyals
the contribution of the three main activities in the company's total revenues

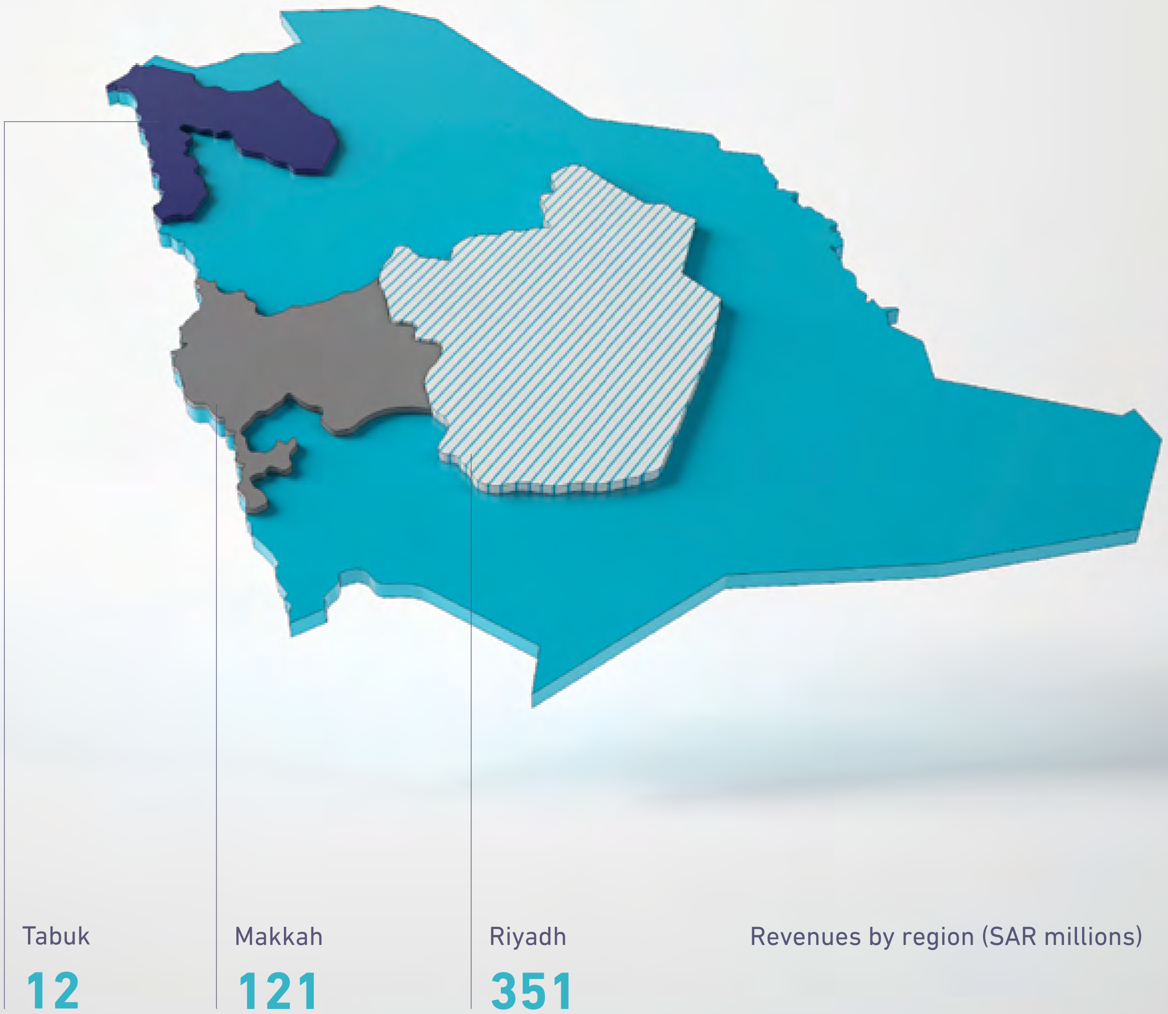


3.7 Geographical distribution of revenues

Dur's activities are distributed in three main geographic regions within the Kingdom, namely Riyadh, Makkah and Tabuk. The following table shows the income distribution in the three regions During 2017:

Region (SAR '000)	Revenues
Riyadh	350,789
Makkah	120,630
Tabuk	12,185
Total	**483,604**

Dur does not operate any branches outside the Kingdom of Saudi Arabia.



Revenues by region (SAR millions)

3.8 Statutory payments due

The following table outlines the Due statutory payments by the Company and its subsidiaries as on the end of 2017:

Description	Dues as on the end of the year
Social insurance contributions	799,112
Zakat	5,065,120

The company and its associate companies are subject to Zakat according to the regulations of the Department of Zakat and Income Tax (DZIT) in Saudi Arabia. The Zakat provision is recognized on annual basis and charged to the income statement at the end of each year, after being audited by a chartered accountant.

The company and its affiliates are submitting their zakat declarations independently based on financial statements of every company. Dur Hospitality has provided its Zakat declarations to DZIT until the end of the fiscal year 2016. The subsidiaries have not been able to pay their dues until the fiscal year 2016 due to the request of some documents by DZIT, which the company is working to satisfy.

The Zakat due on the subsidiaries and still pending until the fiscal year 2017 amounted to SAR 3,428,356.

3.9
Dividends Policy

1. The Company's dividend distribution is made in compliance with Article 42 of its Articles of Association as outlined below:

- Set aside the determined Zakat
- 10% of the net profits shall be withheld to form a statutory reserve. The Annual General Assembly may discontinue this withholding of the net profits when the said reserve reaches 30% of the capital;
- Part of the remaining balance shall be distributed among the Shareholders as an initial payment which shall represent 5% of the paid-up capital;
- An amount of the remaining funds, not more than 10% of the net profits, shall be used to reward the company's Board Members as permitted by the regulations of the competent authorities. The remaining shall be entirely or partially distributed among the Shareholders as an additional share in the profits or carried forward to other years.

The Board of Directors, mandated by the regular general assembly, may distribute interim dividends semi-annually or quarterly according to the regulations issued by the competent authority.

2. As the Company is keen to reward its shareholders and meet their expectations, and in light of the company's impressive growth and expansion, the Board of Directors has decided to distribute dividends among shareholders for 2017 as described in the following statement:

	Dividends during the year 15\08\2017 (%)	Dividends proposed by the end of the year (%)	Net profit
Ratio (%)	4%	3%	7%
Amount per share (SAR)	0.40	0.30	0.70
Total (SAR millions)	**40**	**30**	**70**

3. The shareholder shall be entitled to his share in the net profits in accordance with the General Assembly resolution issued in this regard. The resolution shall indicate the maturity date and the distribution date. The entitlement of the profits to the holders of shares registered in the shareholders' registers shall be at the end of the specified date. The Board of Directors shall implement the resolution of the Regular General Assembly on the distribution of profits within the specified period.

3.10
Risks

The potential risks that may be facing Dur are as follows:

Risks Related to Market and Nature of Business:

The potential risks related to market and nature of business that may be facing Dur are as follows:

1. Hajj and Umrah seasons are adversely affected due to external regulatory conditions or factors;
2. Competition increase in the hotel market in Riyadh and Makkah, which may influence the performance of the company's hotels in the same cities;
3. Change of policies and regulations of concerned government agencies, especially labor office regulations and nationalization percentages;
4. Rise in essential services' fees and prices such as power, water, and consumables;
5. External and economic factors that may influence the development and completion of projects;and
6. Economic conditions and decline in oil prices, which could lead to reduced public spending.

Credit Risks

The risk resulting from failure of a party to meet its financial obligations when becoming due, which caused financial losses to the other party. The financial assets that are likely to expose to concentrations of credit risk consist primarily of cash at banks and trade receivables. The Company's cash is deposited in local banks of good credit rating, so credit risk is limited. The credit risk of trading receivables is also limited because most of the Company's transactions are concentrated with high net worth clients. The Company's management monitors and follows up the balances of trade receivables to minimize any credit risk related to them, follow their collection and take any necessary action to protect the Company interests.

Currency Rate Fluctuations

This type of risk relates to the possible fluctuations in financial assets and liabilities denominated in the relative values of foreign currencies. However, because most of the Company's major transactions are done in Saudi Riyals, the currency and exchange risks of the Company are minimal.

Interest Rates Risks

The level of these risks is primarily associated with changes in commissions` rates prevailing on the financial position and cash flows of the Company. The Company's commission rate risk arises from Islamic Murabaha, short-term loans, and longterm bank debts, which have floating commission rates. All debts and deposits are subject to repricing on a regular basis. The management monitors changes in commission rates and believes that risks of fair value and cash flows of commission rates are not significant for the Company.

Liquidity Risks

Liquidity risk is the risk when the Company will encounter difficulty in raising funds to meet the obligations associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The mitigation of this requires constant monitoring to ensure availability of sufficient liquidity with the company, through follow-up of expected collection schedules from the clients as well as the bank funding instruments available to the Company to meet its future obligations when fall due.

Disclosure and Transparency

4.0

Transparency and Disclosure

Based on our commitment and relations towards our shareholders, investors, and stakeholders, and in accordance with our belief in the importance of transparent communication, we hereby include in the following section the most important disclosures as well as the financial results. These records are in accordance with the Corporate Governance Requirements issued by the Capital Market Authority (CMA) and other related laws and regulations as follows:

4.1 What provisions of the Corporate Governance Requirements have been applied and what not, with reasons

The Company applies all the provisions of the Corporate Governance Requirements issued by the CMA except:

Article number
Article 8 \ paragraph B
Article text \ paragraph
Cumulative voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once.
Reasons
The company did not use the cumulative voting to elect the members of the Board for its current tenure started on 1\1\2016, as the text was not mandatory and the shareholders' General Assembly did not agree to that at the time. The cumulative voting method will be used in voting to select members of the Board at its next tenure.

4.2
Board of Directors

Composition of the Board of Directors and its members' ownership in the Company

The current Board tenure started on 01 /01 /2016. The following table shows the composition of the Company's Board of Directors, their holdings in the Company at the beginning and end of 2017:

No.	Name	Membership	Number of shares owned at the beginning of the year	Number of shares owned at the end of the year	Change
1	Eng. Abdullah bin Mohammad Al-Issa (Chairman)	Non-executive	1,449	1,449	-
2	Mr. Nasser bin Mohammad Alsebaiei (Deputy Chairman)	Independent	1,000	1,000	-
3	Dr. Saleh bin Ali Alhathloul	Independent	1,449	1,449	-
4	Eng. Fahad bin Abdullah Al-Sherif (Representative of the Public Investment Fund)	Non-executive	16,628,458	16,628,458	-
5	Mr. Abdullah bin Mohammad Alabduljabbar (Representative of the General Organization for Social Insurances)	Non-executive	6,540,591	6,540,591	-
6	Mr. Talal bin Abdul Mohsen Almulafikh (Representative of Public Pension Agency	Independent	1,743,215	1,743,215	-
7	Mr. Fahad bin AbdullahAl Qassim	Independent	1,100	1,100	-
8	Mr. Musaab bin Suleiman Almuhaidib	Independent	1,000	1,000	-
9	Mr. Bader bin Abdullah Alissa	Non-executive	1,485	1,485	-

- The Board of Directors acknowledges that, with the exception of the company's shares owned by the members of the Board of Directors as described in the table above, there are no special interests, option rights, subscription rights or engagements to the board members, their wives, or their minor children in the company or its subsidiaries, whether in the company's shares or engagements with direct or indirect contracts, etc.

- No shares have been issued to the wives of board members and their minor children in the company. No shares also are owned by representatives of the legal entities in the Board of Directors, their wives and minor children.

Board Members’ Membership in Other Joint-Stock Companies:

No.	Name	Current Companies	Legal Entity	Previous Companies	Legal Entity
1	Eng. Abdullah Al-Issa	1. Riyadh Bank	Listed joint stock companies	1. Arabian Cement Co.	Listed joint stock companies
		2. SABIC		2. Care company	
		3. Ma’aden		3. Bahri	
		4. Mobily		4. Jadwa	Unlisted joint stock companies
				5. Cement Product Industry Ltd. Co	
				6. National Chemical Carriers Ltd. Co	
2	Mr. Nasser Alsebaiei	1. Bank Albilad	Listed joint stock company	-	
		2. Mohammed Ibrahim Alsebaiei & Sons Company	Unlisted joint stock companies		
		3. Akwan Real Estate Company			
		4. Argan Projects Company			
3	Dr. Saleh Alhathloul	1. Saleh Alhathloul development Ltd. Co.	limited liability company		
4	Eng. Fahad Al-Sherif	1. Saudi Heritage Hospitality Company	Unlisted joint stock companies		
		2. Bidaya Home Finance Co.			
5	Mr. Talal Almulafikh	1. National Company for Tourism	Unlisted joint stock company		
6	Mr. Abdullah Alabduljabbar	-	-		
7	Mr. Bader Alissa	1. Savola Group	Listed joint stock companies	1. Knowledge Economic City	Listed joint stock company
		2. Banque Saudi Fransi		2. Saudi Fransi Capital	Unlisted joint stock companies
		3. Almarai		3. Masic Holding Company	
		4. Savola Food Company	Unlisted joint stock companies	4. Savola Packaging Systems Co.	
		5. United Sugar Company			
		6. Panda Retail Company		5. Kinan International Real Estate Development Company	
		7. Assilah Investment Co		6. Al-Aqeeq Real Estate Development Company	
		8. Afia International Co.		7. Sukoon International Company	

No.	Name	Current Companies	Legal Entity	Previous Companies	Legal Entity
8	Mr. Fahad Qassim	1. Dallah Health Services Company	Listed joint stock companies	1. Abdullatif Alissa Group Holding Company	Unlisted joint stock company
		2. Jarir Marketing Co			
		3. Savola Group			
		4. Bank Albilad			
		5. Fahd bin Abdullah bin Abdulaziz al-Qasim and Sons Company for Trade and Investment	Unlisted joint stock companies		
		6. Dr. Mohammad Rashid Al Faqih and Partners			
		7. Rakeen Najd International Company for Investment & Commercial Development			
		8. Saudi Heritage Hospitality Company (Nuzul) - as representative of Dur			
		9. Saudi Post			
		10. Naqel Express – as representative of Saudi Post			
		11. FinCorp Company for Corporate Advisory			
		12. Amwal Company for Financial Consultants	limited liability companies		
		13. Areez Investment Co.			
		14. Raj Real Estate Company			
		15. AlRajhi Alpha Investment Holding Company			
		16. Rakeen Najd International Company			
9	Mr. Musaab Almuhaidib	1. Several companies from Al-Muhaidib Group	Unlisted joint stock companies	1. Al-Rayyan Company	Unlisted joint stock company
		2. Goldman Sachs Saudi Arabia			
		3. Masdar Company for building materials			
		4. Al Hassan Ghazy Ibrahim Shaker Company	Listed joint stock companies		
		5. Middle East Paper Company (MEPCO)			

* All companies mentioned above are located in the Kingdom of Saudi Arabia.

Board member's names, current and previous positions, qualifications and experience:

No.	Name	Current position	Previous position	Qualifications	Experience
1	Eng. Abdullah Al-Issa	Businessman - CEO of Assila Investment Company.	CEO of Mask Holding company.	He holds a master's degree in Engineering Management and a bachelor's degree in Industrial Engineering from the Southern Methodist University in the United States.	Long experience in banking, real estate, food and hospitality since 1981.
2	Mr. Nasser Alsebaiei	Businessman	Businessman	He holds a bachelor's degree in administrative sciences - accounting.	More than 35 years of practical experience in banking and real estate.
3	Dr. Saleh Alhathloul	Businessman - Chairman of Saleh Al- Alhathloul Development Company Ltd.	Undersecretary of the Ministry of Municipal and Rural Affairs.	He received his PhD in architecture and environmental studies from Massachusetts Institute of Technology – US, and a master's degree in architecture and planning from Harvard University.	He held several positions, most notably a university professor and head of the Architecture Department at King Saud University, and Undersecretary of the Ministry of Municipal and Rural Affairs.
4	Eng. Fahad Al-Sherif	Vice President of Investment Management at the Public Investment Fund.	Head of Real Estate and Tourism Sector at the Public Investment Fund.	Bachelor's degree from the Faculty of Civil Engineering at King Saud University. He also attended many courses and seminars in the field of his work.	He has held several significant positions during his career. He started as an engineer in the Real Estate Development Fund before moving to the Public Investment Fund to serve in several important positions, starting from the General Manager of the Hajj Housing Project at Mena in Makkah.
5	Mr. Talal Almulafikh	Director General of Finance and Budget at the Public Pension Agency	Assistant Director General of Finance and Budget at the Public Pension Agency	He received his master's degree in Financial Management from the University of Curtin in Australia in 2008. He also attended many courses and seminars in the field of his work.	Mr. Talal has held number of important positions during his career, starting from the general management of Arab National Bank since 1413H. He served in several positions in the Bank for 7 years until he moved to the Public Pension Agency in 1420H.
6	Mr. Abdullah Alabduljabbar	Director General of the company's insurance rights and Official Spokesman of the General Organization for Social Insurance.	Several positions in the General Organization for Social Insurance.	Master's degree in Law.	More than 30 years of experience in legal and insurance studies and consultancy.
7	Mr. Bader Alissa	CEO of Amias Holding company and Chief Financial Officer of Assila Investment Company	Investment Portfolio Manager at Saudi HSBC Ltd. Co.	He holds a master's degree in Business Administration from Rice University – US and he is a Certified Financial Analyst (CFA).	Practical experience in financial analysis and investment and business leadership since 2001 (JPMorgan - UK, SABIC America, Savage Design Group, HSBC Saudi Arabia Ltd., Amias Holding Company, Assila Investment Company
8	Mr. Fahad Qassim	Businessman - Founder, Partner and Chairman of Amwal Financial Consulting Company.	CEO of Amwal Financial Consulting Company.	He holds a bachelor's degree in Administrative Sciences-Accounting and completed the Management and Leadership Program at Oxford University	More than 28 years of experience in financial and administrative consulting, auditing, real estate activities, wholesale, retail and health.
9	Mr. Musaab Almuhaidib	General Manager of Masdar Building Materials Company	CEO of Al Almuhaidib Technical Supplies Company.	He holds a master's degree in Business Administration from Liverpool University – UK and a bachelor's degree in Financial Science from Miami University.	Over 17 years of practical experience in business development and growth, mergers and acquisitions, project leadership and real estate operations.

Committee members' (non-Board and executive) names, current and previous positions, qualifications and experience:

No.	Name	Current position	Previous position	Qualifications	Experience
1	Mr. Ibrahim Al-Rwais	Financial Advisor at the Public Pension Agency and a Board member of several joint stock companies.	Internal Auditor at the Public Pension Agency and supervisor of the financial control and internal audit units.	Bachelor's degree in Accounting from the Faculty of Administrative Sciences, King Saud University in 1982 and he attended many courses and seminars his field inside and outside the Kingdom.	Mr. Ibrahim held number of important positions during his career, starting with the General Administration of Accounts at the Ministry of Finance in 1402H. he served in several positions until he moved to work in the Public Pension Agency since 1424H
2	Mr. Abdul-rahman Al-Duhaim	Board member in several joint stock companies.	Executive Vice President of Dur Hospitality	Bachelor's degree in Accounting from the Faculty of Administrative Sciences, King Saud University in 1982 and he attended many courses and seminars in accounting, management and leadership inside and outside the Kingdom.	Mr. Abdulrahman held several important positions during his career. He joined the General Organization for Social Insurance, Saudi Dar Consulting Services company and Dur Hospitality Company, at which he worked from 1986 to 2014.
3	Mr. Fawzi Bubshait	VP of Human Resources at Ma'aden	VP in charge of Human Resources at Ma'aden	Mr. Bubshait holds three master's degrees. The first one in Human Resources Management from Mays Business school in Texas. The second one in education from Minnesota University. The last one in computer engineering from King Fahd University of Petroleum and Minerals, from which he received his bachelor's degree in computer engineering.	Over 30 years practical experience in Management and development of human resources. He worked in human resources departments of leading oil and industrial companies, such as Saudi Aramco and Chevron, before joining Ma'aden in January 2012 as Director of Talent Management, Organization Design and Change Management. In 2013, he was promoted to vice president in charge of human resources, then became vice president of human resources in 2016. He is a Board member of the Saudi Technical Institute for Mining.

Actions taken by the Board of Directors to inform its members, especially non-executives, of the shareholders' proposals and remarks about the Company and its performance:

The Board of Directors has authorized the Company to take the necessary measures to enable shareholders to communicate their proposals, observations and remarks through the communication channels provided at the Investor Relations Department, consisting of the following:

Phone number for investors	011\4816666 EXT. No. 500
Fax for investors	011\4801666
e-mail for investors	IR@Dur.Sa

Board of Directors Meetings' Record for 2017:

There were five meetings of the Board of Directors during 2017. The following table depicts the members' attendance to these meetings:

	Number of Meetings: 5					
Name	Meeting 1 07\02\2017	Meeting 2 28\03\2017	Meeting 3 30\05\2017	Meeting 4 12\09\2017	Meeting 5 26\12\2017	Total
Eng. Abdullah Al-Issa	✓	✓	✓	✓	✓	5
Mr. Nasser Alsebaiei	✓	✓	✗	✓	✓	4
Dr. Saleh Alhathloul	✓	✓	✓	✓	✓	5
Eng. Fahad Al-Sherif	✓	✓	✓	✓	✓	5
Mr. Talal Almulafikh	✓	✓	✓	✓	✓	5
Mr. Abdullah Alabdul-jabbar	✓	✓	✓	✗	✓	4
Mr. Bader Alissa	✓	✓	✓	✓	✓	5
Mr. Fahad Al- Qassim	✓	✓	✓	✓	✓	5
Mr. Musaab Almuhaidib	✓	✓	✓	✓	✓	5

The following table depicts the dates of the shareholders' general assemblies held during the fiscal year 2017 and the Board members attending these meetings:

	Number of assemblies: 1
Name	Date of meeting: 20\04\2017
Eng. Abdullah Al-Issa	✓
Mr. Nasser Alsebaiei	✓
Dr. Saleh Alhathloul	✓
Eng. Fahad Al-Sherif	✓
Mr. Abdullah Alabduljabbar	✓
Mr. Talal Almulafikh	✓
Mr. Fahad Al-Qassim	✗
Mr. Musaab Almuhaidib	✓
Mr. Bader Alissa	✓

Board Remunerations:

The total compensation paid to members of the Board for attending the Board meetings and related committees' meetings in 2017, as well as their remuneration for the fiscal year 2016, is listed in the table below (amount in Saudi Riyals):

	Fixed bonuses (Allowance for Attendance of Meetings)	Variable bonuses (Periodic)	Total
First: independent members			
Dr. Saleh Alhathloul	15,000	200,000	215,000
Mr. Talal Almulafikh	15,000	200,000	215,000
Mr. Nasser Alsebaiei	12,000	200,000	212,000
Mr. Fahad Al-Qassim	15,000	200,000	215,000
Mr. Musaab Almuhaidib	15,000	200,000	215,000
Total	72,000	1,000,000	1,072,000
Second: non-executive members			
Eng. Abdullah Al-Issa	15,000	400,000	415,000
Eng. Fahad Al-Sherif	15,000	200,000	215,000
Mr. Abdullah Alabduljabbar	12,000	200,000	212,000
Mr. Bader Alissa	15,000	200,000	215,000
Total	57,000	1,000,000	1,057,000
gross	**129,000**	**2,000,000**	**2,129,000**

Committee Remuneration:

	Fixed bonuses (Except allowance for Attendance of Meetings)	Allowance for Attendance of Meetings	Total
Audit Committee members:			
Eng. Fahad bin Abdullah Al-Sherif (Chairman)	-	18,000	18,000
Mr. Talal bin Abdul Mohsen Almulafikh	-	18,000	18,000
Mr. Ibrahim bin Salem Al-Rwais (non-board member)	50,000	18,000	68,000
Mr. Abdulrahman Al-Duhaim (non-board member)	-	15,000	15,000
Total	**50,000**	**69,000**	**119,000**
Nomination and Remuneration Committee			
Eng. Abdullah bin Mohammad Al-Issa	-	3,000	3,000
Mr.Musaab Almuhaidib (Chairman)	-	9,000	9,000
Mr. Abdullah bin Mohammad Alabduljabbar	-	9,000	9,000
Mr. Fawzi Bubshait (non-board member)	50,000	9,000	59,000
Total	**50,000**	**30,000**	**80,000**
Investment committee:			
Mr. Fahad Al-Qassim (Chairman)	-	15,000	15,000
Dr. Saleh Alhathloul	-	15,000	15,000
Mr. Bader Alissa	-	15,000	15,000
Dr. Badr Albadr (non-board member)	-	15,000	15,000
Total	**-**	**60,000**	**60,000**
Gross	**100,000**	**159,000**	**259,000**

* Note that these Remunerations belong to the fiscal year 2016, which was disbursed during 2017.

Remuneration of the Board of Directors and Committees Policy:

Regarding the payment of remunerations set forth, the company relied on the remuneration policy of the Board of directors, Committees and Senior Executives approved by the Extraordinary General Assembly held on 20 April 2017, which provided that:

1. The Board member shall be entitled to an annual remuneration of no more than (10%) of the net profit and a maximum amount of SR (200,000) per member, after deducting the reserves stipulated in the Company's statute in accordance with its terms, Which was decided by the General Assembly in accordance with the provisions of the Companies Law and the Company's statute, also after the distribution of a first payment to the shareholders equivalent to 5% of the paid-up capital.

2. The member of the Board Directors and its committees shall be entitled to an attendance allowance of SR3,000 per member for each meeting. The Company shall bear the expenses of travel, accommodation and transportation when any member of the Board of Directors and its committees attend a meeting held outside the city of residence.

3. The Board of Directors may approve other remunerations - periodically or annually - for Board members and its committees.

4. Committees members shall be entitled to an annual remuneration of no more than (100,000) riyals; the Committee member should not be an employee.

Note: These remunerations do not deviate from the approved remuneration policy.

4.3
Board Committees

First: Nomination and Remuneration Committee:

After elections of the Board Members for its current tenure, the Nomination and Remuneration Committee has been reformed as detailed below. The Committee held three meetings in 2017 and reported to the Board. The Annual General Assembly of Shareholders approved at the meeting held on 20/ 04/ 2017 the regulations and framework of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee consists of:

No.	Name	Position	Meeting 1 06\02\2017	Meeting 2 07\02\2017	Meeting 3 2017\12\03	Total
1	Eng. Abdullah Al-Issa	Former Chairman	✓	✕	✕	1
2	Mr.Musaab Almuhaidib	Chairman	✓	✓	✓	3
3	Mr. Abdullah Alabduljabba	Member	✓	✓	✓	3
4	Mr. Fawzi Bubshait	Member	✓	✓	✓	3

* In accordance with the requirements of the new corporate governance regulations issued by CMA, Eng. Abdullah Al-Issa submitted his resignation from the Nomination and Remuneration Committee. Mr. Musab Al-Muhaideb was nominated as Chairman.

Tasks and functions of the Nomination and Remuneration Committee:

1. Remunerations:

- Developing a policy for the remuneration of Board members, committees and Senior Executives recommend it to the Board of Directors to be approved by the Ordinary General Assembly.
- Revising the remuneration policy periodically to ensure its consistency with changes that may occur in the legislation and regulations, the company's strategic objectives and the skills and qualifications required to achieve them. In addition, recommending the proposed changes to this policy to the Board of Directors.
- Recommending the remuneration of the Board members, its committees and Senior Executives at the company to the Board of Directors in accordance with the policy approved by the Company's Ordinary General Assembly.
- Preparing an annual report on the remuneration granted to the Board of Directors, its committees and senior executives.
- Identifying the types of remunerations awarded to company's employees and recommending them.

2. Board of Directors:

- Developing a policy and criteria for the Board of Directors membership and recommending it to the Board to be approved by the company's Ordinary General Assembly.
- Recommending the nominations for to the Board of Directors membership in accordance with the approved membership policy.
- Reviewing annually the skills needed for the Board of Directors' membership.
- Setting a description of capabilities and qualifications required for membership.
- Determining the time that a member needs to devote for the board's activities.
- Reviewing the membership policy periodically to ensure its consistency with changes that may occur in the legislation and regulations, the company's strategic objectives and the skills and qualifications required to achieve them. In addition, recommending the proposed changes to this policy to the Board of Directors.
- Studying cases of conflicting interest for those wishing to nominate for Board of Directors membership and recommending them.
- Examining the Board of Directors' structure and make recommendations regarding possible changes.
- Identifying weaknesses and strengths of the Board of Directors, and proposing solutions for the company's best interest.
- Establishing procedures in case of the vacancy of a Board or committee member's position and recommending them.
- Recommending the performance criteria for evaluating the Board of Directors work, its members and its committees, to the Board of Directors.

3. Board members:

- Determining the time that a member needs to devote for the board's activities.
- Reviewing annually the liberation of the independent members and the absence of any conflict of interest if the member serves on another company's board.
- Developing a functional description of executive members, non-executive members and independent members.
- Recommending to the Board of Directors to re-nominate or dismiss a Board member or its committees' members.

4. Induction program for new members:

- Recommending the Board of Directors to develop an induction program for new Board members that covers the company's activity, its work nature and its financial and legal aspects.

5. Senior Executives:

- Recommending the appropriate policies and criteria for the senior executives' appointment to the Board of Directors and identifying and reviewing the required capabilities and skills periodically to ensure their consistency with the changes that may occur to the company's strategic objectives and the skills and qualifications required to achieve them.
- Developing a job description for senior executives, reviewing the organizational structure and recommending the possible changes.
- Developing the succession procedures in case of the vacancy of a Senior Executive's position and recommending them.

Second: Audit Committee:

The Committee held six meetings in 2017. The General Assembly of Shareholders approved the regulations and framework of the Audit Committee at its meeting held on 20/ 04/ 2017. The Audit Committee reconstituted its members as follows:

No.	Name	Position	Meeting 1 17\01\2017	Meeting 2 05\02\2017	Meeting 3 30\04\2017	Meeting 4 03\05\2017	Meeting 5 27\07\2017	Meeting 6 23\10\2017	Total
1	Eng. Fahad Al-Sherif	Chairman	✓	✓	✓	✓	✓	✓	6
2	Mr. Talal Almulafikh	Member	✓	✓	✓	✓	✓	✓	6
3	Mr. Ibrahim Al-Rwais	Member	✓	✓	✓	✓	✓	✓	6
4	Mr. Abdul-rahman Al-Duhaim	Member	✕	✓	✓	✓	✓	✓	5

Tasks and functions of the Audit Committee:

The Audit Committee is responsible for monitoring the company's business and verifying the safety and integrity of its financial statements and internal control systems. The committee's tasks include the following:

1. Financial reports:

- Reviewing the company's financial statements and its financial performance announcements and recommending them to the Board of Directors.
- Providing technical opinion as to whether the Board of Directors' report and financial statements have been prepared in accordance with the specific regulatory requirements for their preparation and presentation.
- Examining the unusual issues included in the financial statements and recommending them, if necessary.
- Examining any issues raised by the Company's Chief Financial Officer, his deputy, committing officer of the Company or the Auditor.
- Revising accounting estimates on substantial issues included in the financial reports.
- Revising company's accounting and financial policies and providing guidance and recommendation to the Board of Directors.

2. Study of internal control systems:

- Revising internal and financial control and risk management systems in order to ensure their effectiveness through periodic reports of internal audit management or others on the adequacy and effectiveness of internal and financial control systems and risk management systems, as well as continuing the implementation of recommendations and corrective measures of the contained remarks.
- Preparing a report to the Board of Directors includes its opinion on the adequacy of these systems, their recommendations to address substantial issues and any recommendations for the development of such systems for the further work that it has done within its purview.

3. Internal audit management:

- Studying and revising the periodic reports of the internal audit management and follow up the implementation of the corrective measures of the contained remarks.
- Supervising the internal audit function to ensure its efficiency in the implementation of its functions and responsibilities.
- Recommending the Board of Directors to appoint or isolate the Director of the Internal Audit Management and annually assess his performance.
- Recommending the Board of Directors to approve the organizational structure and job descriptions of the Internal Audit Management and ensuring its independence in the company's organizational structure.
- Studying and approving the annual audit plan with the Internal Audit Management.

4. Auditor:

- Recommending the nomination and dismissal of auditors to the Board of Directors, determining their fees and evaluating their performance after ensuring their independence and reviewing the scope of their work and terms of their contracts.
- Ensuring the independence of the Auditor and the effectiveness of his work in line with the regulating rules and standards.
- Reviewing the Audit's plan of the company and his work and ensuring his compliance with the regulatory regulations of his work.
- Answering the inquiries of the company's Auditor and providing the necessary support to enable him to perform his duties.
- Studying the auditor's reports and his remarks on the financial statements and following up actions taken thereupon.

5. Ensuring compliance:

- Reviewing the regulatory bodies' reports on the company's compliance with the regulations and instructions and ensuring that the necessary procedures are taken.
- Ensuring the company's compliance with relevant rules, regulations, instructions and policies.
- Reviewing the proposed contracts and agreements with related parties and providing its views thereon to the Board of Directors.
- Recommending to the Board the actions to be taken with regard to issues that it considers necessary for action by the Board.

6. Remarks arrangements:

- Developing the appropriate mechanism to enable the company's employees to provide their remarks on any deviation from the company's internal regulations, including the regulations related to the preparation of the company's financial statements. This mechanism ensures that the remark provider's rights are not affected.
- Developing the appropriate procedures to follow up and monitor the remarks made by the company's employees and ensuring the independence of these procedures.

Third: Investment Committee:

After elections of the Board Members for its current tenure, the Investment Committee has been reformed as detailed below. The Investment Committee held five meetings in 2017 and submitted its reports to the Board of Directors. The Committee consists of:

No.	Name	Position	Meeting 1 21\03\2017	Meeting 2 15\05\2017	Meeting 3 11\09\2017	Meeting 4 19\11\2017	Meeting 5 24\12\2017	Total
1	Mr. Fahad Al-Qassim	Chairman	✓	✓	✓	✓	✓	5
2	Dr. Saleh Alhathloul	Member	✓	✓	✓	✓	✓	5
3	Mr. Bader Alissa	Member	✓	✓	✓	✓	✓	5
4	Dr. Badr Al-badr	Member	✓	✓	✓	✓	✓	5

Tasks and functions of the Investment Committee:

1. Working with the Executive Management to develop an investment strategy and policy at the company in accordance with the nature of its business, activities and risks, and recommending them.
2. Reviewing the investment strategy and policy periodically to ensure its consistency with the changes that may occur to the company's external environment, the legislation regulating its business, its strategic objectives or others, and recommending to the Board of Directors regarding the proposed changes to this policy.
3. Overall supervision of the Company's investment activities and develop appropriate procedures for measuring and evaluating investment performance.
4. Studying and assessing the investment opportunities proposed by the Company's management in relation to the following transactions and recommending them:

- Mergers or acquisitions of companies, businesses or assets.
- Any termination, sale, transfer of ownership or exit or disposition of an existing investment.
- Joint projects under a partnership or Joint Venture Agreement.
- Investing in new or existing projects or in expansion projects and expansions of projects in which the Company has an interest.
- Any investment opportunity that the company's management wishes to conduct.
- Studying the financing prospects of the above transactions.

5. Ensuring that the proposed investment opportunities comply with the related rules, regulations and instructions.
6. Identifying and prioritizing the proposed investment offerings.
7. Studying the executive management's periodic reports on the workflow of the approved investment opportunities.

4.4
Executive Management

The Company's Executive Management, authorized by the Board of Directors, manages the Company's business and is represented by the Chief Executive Officer with assistance of his deputies and heads of divisions and subsidiaries. This management handles all operational responsibilities of the Company's activities, including operational, financial, administrative, technical, informational and risk management aspects, plus all activities related to the Company's business. Committees will be created by the Executive management to assist in exceptional functions when needed.

Senior Executives of the Company in 2017:

Name	Position
Dr. Badr bin Hamoud AlBadr	Chief Executive Officer (CEO)
Mr. Abdul Mohsen bin Abdul Wahab Al-Hammad	Chief Financial Officer
Mr. Sultan bin Bader Al-Otaibi	VP Assets & Properties
Mr. Ahmed bin Mubarak Baharethah	Accounting Manager and Secretary of the Board of Directors

Ownership of the Senior Executives, their wives and minor children in the company in 2017:

Name	Ownership beginning of the year	Ownership-end of the year	Change during the year	Change %
Dr. Badr bin Hamoud AlBadr	2,429	2,429	-	-
Mr. Abdul Mohsen bin Abdul Wahab Al-Hammad	-	-	-	-
Mr. Sultan bin Bader Al-Otaibi	-	-	-	-
Mr. Ahmed bin Mubarak Baharethah	-	-	-	-

*Senior executives' wives and minor children do not hold any shares in the Company.

Remunerations of the top five executives during 2017:

Description	Amount (SAR)
Salaries and compensations	3,713,718
Allowances	1,227,638
Bonuses and incentives	1,479,769
Total	**6,421,125**

* CEO and CFO are among the five top executives.

Senior Executives' CVs:

No.	Name	Current position	Previous position	Qualifications	Experience
1	Dr. Badr AlBadr	Chief Executive Officer of Dur Hospitality	Chief Executive Officer of Cisco Saudi Arabia	He received a master's and doctorate degrees from Washington University and a bachelor's degree from King Fahd University of Petroleum and Minerals. He has participated in many leadership programs at universities such as Oxford, Cornell and George Washington.	He led Cisco company in Saudi Arabia, served as CEO of Awal Net company, CEO of Al-Alamiah Internet and Communication Company. He is a Board member of several companies and national committees.
2	Mr. Abdul Mohsen Al-Hammad	Chief Financial Officer	Chief Financial Officer of Colleges of Excellence	He holds a bachelor's degree in Accounting from King Saud University in Riyadh.	He has held several executive positions, such as Chief Executive of finance, information Technology and Administration Department at several Saudi Joint Stock Companies (Sahara Petrochemical Company, Mohammad Abdul Aziz Al Rajhi and Sons Holding Company and Building Materials Company). He also a member of Board of Directors and Audi committees at several companies.
3	Mr. Sultan Al-Otaibi	Vice President of Property and Assets	General Manager of Makarem Hotel Group	He holds a bachelor's degree in Accounting from King Saud University in Riyadh and three specialized courses from Cornell University.	More than 15 years in accounting and business leadership in the hotel sector.
4	Mr. Ahmed Baharethah	Director of Accounting Department and Secretary of the Board of Directors	Head of Accounts Department	He holds a bachelor's degree in Accounting from King Saud University in Riyadh.	More than 30 years of practical experience in accounting and business leadership in the hotel sector.

4.5
Subsidiaries and Affiliates:

Dur Hospitality Company invests in 12 companies; all of them are limited liability companies, except for the Saudi Heritage Hospitality Company "Nuzul" which is a closed joint stock company. All investees have been established and conducting their business in Saudi Arabia and focus their activities on hotel and real estate business.

<table>
<tr><th>No.</th><th>Affiliate</th><th>Main activity</th><th>Incor-poration year</th><th>Capital (SAR)</th><th>Affiliate-owned facility</th><th>Dur contri-bution %</th><th>Total revenues 2017 (SAR)</th></tr>
<tr><td>1</td><td>Makkah Hotels Co. Ltd</td><td>Hotel</td><td>1982</td><td>165,600,000</td><td>Makarem Ajyad Makkah Hotel</td><td>99.44%</td><td>77,875,776</td></tr>
<tr><td>2</td><td>An Nakheel Company for Tourist Areas</td><td>Hotel – real estate</td><td>1992</td><td>59,250,000</td><td>Makarem Ajyad Makkah Hotel</td><td>98.73%</td><td>42,753,870</td></tr>
<tr><td>3</td><td>Tabuk Hotels Co, Ltd</td><td>Hotel</td><td>1985</td><td>27,300,000</td><td>Holiday In Hotel Tabuk</td><td>97.14%</td><td>12,185,357</td></tr>
<tr><td>4</td><td>Saudi Hotel Services Company</td><td>Hotel</td><td>1976</td><td>70,000,000</td><td>Riyadh Palace Hotel - Riyadh</td><td>70%</td><td>26,551,958</td></tr>
<tr><td>5</td><td>National Company for Tourism</td><td>Hotel – real estate</td><td>1989</td><td>422,000,000</td><td>A Number of premises in Aseer</td><td>1.65%</td><td>Preparation of final accounts has not been completed yet</td></tr>
<tr><td>6</td><td>Makarem Al Maarifa Hospitality Co, Ltd</td><td>Real estate</td><td>2012</td><td>21,400,000</td><td>Establish a hotel in Medina</td><td>50%</td><td rowspan="5">These affiliates have not generated revenues yet</td></tr>
<tr><td>7</td><td>Security Source Co, Ltd</td><td>Security and safety</td><td>2015</td><td>100,000</td><td>-</td><td>95%</td></tr>
<tr><td>8</td><td>Joud Al Alya'a Co, Ltd</td><td>Buildings and construction</td><td>2014</td><td>100,000</td><td>-</td><td>100%</td></tr>
<tr><td>9</td><td>Al Sawaed Al Karima Company</td><td>Provision of supporting services</td><td>2015</td><td>100,000</td><td>-</td><td>99%</td></tr>
<tr><td>10</td><td>Saudi Heritage Hospitality Company (Nuzul)</td><td>Hotel</td><td>2015</td><td>62,500,000</td><td>Samhan Hotel – under design</td><td>25%</td></tr>
<tr><td>11</td><td>Al Madinah Hotels Co, Ltd</td><td>Hotel – real estate</td><td>1983</td><td>1,000,000</td><td>-</td><td>50%</td><td rowspan="2">Under liquidation</td></tr>
<tr><td>12</td><td>Media Marketing Services Co</td><td>Marketing, promotion, public relations</td><td>1996</td><td>2,000,000</td><td>-</td><td>25%</td></tr>
</table>

We note that no debt instruments have been issued to any of the affiliates above.

4.6
Disclosures

All relevant information related to its business activities and financial results in full transparency. Below is an outline of such disclosures:

1. The board acknowledges that:

- The charts of accounts have been properly prepared.
- The internal control system is sound and has been effectively implemented.
- There is no doubt that the Company is able to proceed with its ongoing business.

2. No deviation from SOCPA standards except for evaluation of the investments of the Media Marketing Services Company that went into liquidation.
3. The company has not received any communication regarding any interest in voting shares belonging to people (other than members of the Board of Directors and senior executives and their relatives) informing the company of such rights under Article 45 of CMA's Listing Rules.
4. The company has no convertible debt instruments, contractual securities, subscription right memoranda, or similar rights given or granted by the Company during the financial year.
5. There were no convertible or subscription rights attached to the convertible debt instruments, contractual securities, subscription right memoranda, or similar rights issued or granted by the Company.
6. There was no redemption, purchase or cancellation by the Company or its associates of any redeemable debts.
7. There was no arrangement under which a member of the Board of Directors or a senior executive has waived his salary or compensation.
8. There was no arrangement or agreement whereby any shareholder has waived any entitlement to profits.
9. There were no specific investments or set aside reserves, established for the Company's employees except the provisions for end-of-service benefits as stipulated in the Saudi Labor Law. The provision for the end of service benefits for Dur's employees as on 31 December 2017 amounted to SAR 54,182,936.
10. The chartered accountant didn't conceal any of the Company's annual financial statements.
11. The Board of Directors has not recommended replacing the chartered accountant before the end of his designated period.
12. No penalties, sanctions or precautionary restrictions have been imposed on the company by any regulatory, supervisory or judicial bodies during the fiscal year 2017.

4.7
Results of the annual review of the efficiency of internal control

The Company works continuously on developing the internal control system and implementing it effectively.

The Company has an Internal Audit Department to ensure the application of appropriate control systems and identify the risks that the company might encounter and how to deal with them in transparency. The Internal Audit Department also verifies the company's various transactions according to the approved audit plan, reviews all documents, transactions, and reports regularly to the Audit Committee and Board of Directors.

During the year, the Internal Audit Department reported its auditing findings and raised some recommendations. No fundamental observations requiring any corrective actions were found. The standard observations contained therein are being followed up and avoided.

4.8
Transactions with Related Parties

There were no new contracts to which the Company was a party where there is an interest for some board members, the Chief Executive Officer, Chief Financial Officer, or anyone who has relationship with any of them except for the following:

1. 10-year management and operation contracts for Al Andalus Residence Compound, Makarem Umm Al Qura Hotel, Makarem Al-Bait Hotel, Al Rawdah Residence Compound, AlJazirah Badr Compound and Dur Al-Yasamin Residential Compound, all of which are owned by Assila Investment Company, whose management members include the Chairman of the Board of Directors, Eng. Abdullah bin Mohammed AlIssa and board member Mr. Badr bin Abdullah Al-Issa.

   These are management and operation contracts according to which the Company manages and operates such facilities in return for a specific percentage of the total revenues and the total operating profit of each facility.

   The Company's fees generated from the management and operation of these facilities are totalling SAR 2,757,677 in 2017, compared to SAR 2,478,919 in 2016.

Description (SAR)	Contracting year	2016	2017
Al Andalus Residence Compound	1995	533,308	596,826
Makarem Umm Al Qura Hotel	2008	894,317	733,281
Al Rawdah Residence Compound	2010	356,875	408,945
Makarem Al-Bait Hotel	2008	203,601	335,020
Al-Jazirah Badr Compound	1998	490,818	80,454
Dur Al-Yasamin Compound	2014	-	603,150
Total		**2,478,919**	**2,757,677**

2. In 2008, an operation and management contract has been signed, for a term of 10 years to be automatically renewed, for Makarem Mina Hotel, owned by the heirs of Sheikh Mohammed bin Ibrahim Al-Ghamdi (a major shareholder), who owns 5% of Dur Hospitality capital. The Company received an amount of SAR 395,839 in fees for management and operation in 2017.

3. On 17 August 2016, Dur Hospitality signed two memoranda of understanding with Dar Hijrah Real Estate Development and Investment (owned by the Public Investment Fund, which is a related party), whereby Dur Hospitality will be operating two hotels at Dar Al-Hijrah project in Medina for 15 years starting from grand opening.

Dar Al-Hijrah Real Estate Development and Investment will develop the two hotels within Dar Al-Hijrah project, one of the developments proposed for the development of Medina, located 3 km to the southwest of the Prophet's Mosque.

4. As "Assila Investment Company" and "Abdullah bin Mohammed Al-Issa and Sons Company" are among Dur's shareholders, it should be noted that Eng. Abdullah bin Mohammed Al-Issa (Chairman) and Mr. Badr bin Abdullah Al-Issa (board member) have interests in "Assila Investment Company". Both of them have interest also in "Abdullah bin Mohammed Al-Issa and Sons".

   The following table shows the change in share ownership of these two companies in 2017:

Name	No. of shares – beginning of the year	No. of shares – end of the year	Change	Ownership at the end of the year
Assila Investment Company	27,143,784	27,143,784	-	27.1%
Abdullah Mohammed Al-Issa and Sons	28,982	28,982	-	0.03%

5. On 10/ 06/ 2015, a contract was signed between Dur Hospitality Company and Assila Investment Company whose management includes the Chairman; Engineer Abdullah bin Mohammed Al-Issa and board member Mr. Badr bin Abdullah Al-Issa. According to this agreement, Assila Company will lease 400 m2 office space in the Courtyard by Marriott hotel owned by Dur Hospitality with an annual rent of SAR 400,000 per annum for three calendar years.

6. On 18/ 06/ 2015, an agreement was signed between Dur Hospitality Company and the Saudi Heritage Hospitality Company "Nuzul", under which Dur shall provide support and technical services to Nuzul for the development of its first project, Samhan Heritage Hotel in Dir'iyya, in order to benefit from the extensive experience of Dur in this area.

7. Below are the details of amounts of transactions made with the related parties and the ensuing balances during the fiscal years ended on 31 December 2016 and 2017:

A. Due from Related Parties (in Saudi Riyals):

Name	Nature of transactions	Amount of transactions		Balance	
		2017	2016	2017	2016
Makarem Umm Al Qura Hotel	Services	1,730,422	10,305,666	225,752	2,568.033
Makarem Al Maarifa Co	Services	1,024,330	1,090,109	20,554,162	3,004,581
Al-Jazirah Badr	Services	586,057	1,147,860	480,733	978,305
Saudi Heritage Hospitality Company	Services	909,234	1,958,617	167,084	286,846
Makarem Mina Hote	Services	260,000	-	266,892	-
Makarem Al-Bait Hotel	Services	931,023	-	63,129	-
Assila Investment Company	Rent	400,00	400,000	-	-
Total				**21,757,752**	**6,837,765**

B. Due to Related Parties (in Saudi Riyals):

Name	Nature of transactions	Amount of transactions		Balance	
		2017	2016	2017	2016
Al Madinah Hotels Co, Ltd	Acting expenses	895,959	1.825,027	13,327,063	13,327,063
Dur Al-Yasamin Compound	Services	1,786,389	-	1,786,389	-
Al Andalus Residence Compound	Services	988,023	659,815	1,330,281	256,986
Al Rawdah Residence Compound	Services	1,850,927	862,460	158,331	125,550
Al-Maather Compound	Services	715,840	862,460	84,084	1,607,549
Makarem Al-Bait Hote	Services	-	2,962,225	-	2,847,223
Total				**16,686,148**	**18,164,371**

4.9
Major Shareholders

Dur Hospitality Company has not received any notice of ownership during 2017 under Article 45 of the listing rules.

In any case, the following shareholders owned at least 5% of the Company's capital in 2017:

Shareholder	Owned shares – beginning of the year	Owned shares – end of the year	Ownership %
Assila Investment Company	27,143,784	27,143,784	27.1%
Public Investment Fund	16,628,458	16,628,458	16.6%
Sheikh Mohammad bin Ibrahim Al Issa	12,001,449	12,001,449	12%
General Organization for Social Insurance	6,540,591	6,540,591	6.5%
Heirs of Sheikh Mohammed bin Ibrahim Al-Ghamdi	5,000,000	5,000,000	5%

4.10 Applying the International Accounting Standards

The transition project for applying the international accounting standards was completed during fiscal year 2017. The quarterly and annual reports for 2017 were issued in accordance with the International Accounting Standards.

4.11 Statement of the number of the company's applications for the register of shareholders:

No. of the company's applications for the register of shareholders	Application date	Application reasons
1	09\01\2017	Company procedures
2	11\01\2017	Company procedures
3	20\03\2017	Company procedures
4	19\04\2017	General Assembly
5	19\04\2017	General Assembly
6	02\08\2017	Company procedures
7	02\08\2017	Company procedures
8	06\08\2017	Profit file

تقرير مراجعي الحسابات والقوائم المالية الموحدة للعام المالي 2017م

كي بي ام جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
برج كي بي ام جي
طريق صلاح الدين الأيوبي
ص ب ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية

تلفون +٩٦٦ ١١ ٨٧٤ ٨٥٠٠
فاكس +٩٦٦ ١١ ٨٧٤ ٨٦٠٠
إنترنت www.kpmg.com.sa

رقم الترخيص ٤٦/١١/٣٢٣ بتاريخ ١٤١٢/٩/٧هـ

تقرير المراجع المستقل

إلى السادة المساهمين
شركة دور للضيافة - شركة مساهمة سعودية
الرياض - المملكة العربية السعودية

التقرير عن مراجعة القوائم المالية الموحدة

الرأي

لقد راجعنا القوائم المالية الموحدة لشركة دور للضيافة -شركة مساهمة سعودية -("الشركة") والشركات التابعة لها، يشار إليهما معاً ("المجموعة")، والتي تشمل قائمة المركز المالي الموحدة كما في ٣١ ديسمبر ٢٠١٧م، والقوائم الموحدة للربح أو الخسارة والدخل الشامل والتغيرات في حقوق الملكية والتدفقات النقدية للسنة المنتهية في ذلك التاريخ، والإيضاحات المكونة من ملخص للسياسات المحاسبية الهامة والمعلومات التفسيرية الأخرى.

وفي رأينا، فإن القوائم المالية الموحدة المرفقة تعرض بعدل، من جميع الجوانب الجوهرية، المركز المالي الموحد للمجموعة كما في ٣١ ديسمبر ٢٠١٧م، وأداءها المالي الموحد وتدفقاتها النقدية الموحدة للسنة المنتهية في ذلك التاريخ، وفقاً للمعايير الدولية للتقارير المالية المعتمدة في المملكة العربية السعودية، والمعايير والإصدارات الأخرى المعتمدة من الهيئة السعودية للمحاسبين القانونيين.

أساس الرأي

لقد قمنا بالمراجعة وفقاً للمعايير الدولية للمراجعة المعتمدة في المملكة العربية السعودية. ومسؤوليتنا بموجب تلك المعايير تم توضيحها في قسم "مسؤوليات المراجع عن مراجعة القوائم المالية الموحدة" في تقريرنا. ونحن مستقلون عن المجموعة وفقاً لقواعد سلوك وآداب المهنة المعتمدة في المملكة العربية السعودية ذات الصلة بمراجعتنا للقوائم المالية الموحدة، كما وفينا أيضاً بمتطلبات سلوك وآداب المهنة الأخرى وفقاً لتلك القواعد. ونعتقد أن أدلة المراجعة التي حصلنا عليها كافية ومناسبة لتوفير أساساً لرأينا في المراجعة.

الأمور الرئيسية للمراجعة

الأمور الرئيسية للمراجعة هي تلك الأمور التي كانت، بحسب حكمنا المهني، لها الأهمية البالغة عند مراجعتنا للقوائم المالية الموحدة للسنة الحالية. وقد تم تناول هذه الأمور في سياق مراجعتنا للقوائم المالية الموحدة ككل، وعند تكوين رأينا فيها، ولم نقدم رأياً منفصلاً في تلك الأمور.

KPMG

الأمور الرئيسية للمراجعة (يتبع)

أمر رئيسي للمراجعة	كيفية معالجة الأمر الرئيسي في مراجعتنا
الاعتراف بإيرادات الضيافة بالإشارة إلى السياسة المحاسبية المتعلقة بالاعتراف بالإيرادات رقم (٤-ج) وكذلك الإيضاح رقم (١-٥) المتعلق بالإفصاحات المتعلقة بالإيرادات. تتميز معاملات إيرادات الضيافة بأنها عالية الحجم ومنخفضة القيمة. يتم الاعتراف بالإيرادات عند تقديم الخدمات إلى العميل بما في ذلك المنافع والمخاطر المرتبطة بتلك الخدمات. تعتمد المجموعة على الإيرادات كمقياس أساسي لأداء المجموعة. هناك مخاطر محتملة متعلقة بتسجيل إيرادات الضيافة نظراً للضغوط التي قد تقابلها الإدارة لتحقيق أهداف المجموعة. تم اعتبار الاعتراف بإيرادات الضيافة كأمر رئيسي للمراجعة بسبب جوهرية قيمة إيرادات الضيافة المسجلة وكذلك مدى تعقيد عمليات ونظم تكنولوجيا المعلومات المرتبطة بالإيرادات.	واستجابة لهذا الجانب، فقد اشتملت إجراءات مراجعتنا على اختبار الضوابط الرقابية ذات الصلة وكذلك اختبارات تحقق، وبالتحديد ما يلي: تقييم مدى ملائمة سياسة الاعتراف بالإيرادات لتقييم ما إذا كانت وفقاً لمعيار المحاسبة الدولي (١٨): "الإيرادات". أجرينا اختبار للضوابط الرقابية بما في ذلك تقييم التصميم والتنفيذ وكفاءة التشغيل للضوابط الرقابية الداخلية الرئيسية للإدارة بما في ذلك بيئة تكنولوجيا المعلومات بشأن مدى اكتمال ووجود ودقة الإيرادات المسجلة. أجرينا اختبار لعينة من معاملات الإيرادات المسجلة ومقارنتها مع المستندات المؤيدة للتحقق من وجود الإيرادات المسجلة.

أمر رئيسي للمراجعة	كيفية معالجة الأمر الرئيسي في مراجعتنا
التغير في إطار إعداد القوائم المالية بالإشارة إلى الإيضاح رقم (٢) لأسس إعداد القوائم المالية الموحدة فيما يتعلق بتطبيق المعايير الدولية للتقارير المالية وكذلك الإيضاح رقم (٤٠) للإفصاحات المتعلقة بها فيما يتعلق بأثر تطبيق المعايير الدولية للتقارير المالية. بالنسبة لجميع الفترات وحتى السنة المنتهية في ٣١ ديسمبر ٢٠١٦م، كانت المجموعة تقوم بإعداد وعرض قوائمها المالية الموحدة النظامية وفقاً لمعايير المحاسبة المتعارف عليها في المملكة العربية السعودية الصادرة عن الهيئة السعودية للمحاسبين القانونيين. بالنسبة للفترات المالية التي تبدأ من ١ يناير ٢٠١٧م، تتطلب اللوائح المعمول بها من المجموعة إعداد وعرض قوائمها المالية الموحدة وفقاً للمعايير الدولية للتقرير المالي الصادرة عن مجلس معايير المحاسبة الدولية والمعتمدة في المملكة العربية السعودية وكذلك المعايير والاصدارات الأخرى الصادرة عن الهيئة السعودية للمحاسبين القانونيين (المعايير الدولية للتقرير المالي المعتمدة في المملكة العربية السعودية). وعليه، قامت المجموعة بإعداد قوائمها المالية الموحدة للسنة المنتهية في ٣١ ديسمبر ٢٠١٧م وفقاً للمعايير الدولية للتقرير المالي المعتمدة في المملكة العربية السعودية باستخدام المعيار الدولي للتقرير المالي ١ "تطبيق المعايير الدولية للتقرير المالي لأول مرة".	قمنا بالإجراءات التالية فيما يتعلق بالتغير في إطار إعداد القوائم المالية: - الأخذ بالاعتبار عملية إدارة المجموعة في تطبيق المعايير الدولية للتقرير المالي المعتمدة في المملكة العربية السعودية وخاصة فيما يتعلق بالأمور التي تتطلب من الإدارة استخدام أحكامها. - الحصول على فهم للتحليل الذي نفذته الإدارة لتحديد جميع الاختلافات الجوهرية بين الإطار السابق للقوائم المالية والمعايير الدولية للتقرير المالي المعتمدة في المملكة العربية السعودية التي قد يكون لها أثر على القوائم المالية للمجموعة. - تقييم نتائج تحليل الإدارة والقرارات الأساسية المتخذة فيما يتعلق بالتحول باستخدام معرفتنا بالمتطلبات ذات العلاقة بالمعايير الدولية للتقرير المالي المعتمدة في المملكة العربية السعودية وفهمنا لأعمال وأنشطة المجموعة.

KPMG

الأمور الرئيسية للمراجعة (يتبع)

أمر رئيسي للمراجعة	كيفية معالجة الأمر الرئيسي في مراجعتنا
وكجزء من هذا التحول للمعايير الدولية للتقرير المالي المعتمدة في المملكة العربية السعودية، أجرت إدارة المجموعة تحليلاً تفصيلياً للفروق لتحديد الاختلافات بين الإطار السابق لإعداد القوائم المالية والمعايير الدولية للتقرير المالي المعتمدة في المملكة العربية السعودية، وتحديد تسويات التحول وفقاً لتحليل الفروق والمتطلبات ذات الصلة بالمعيار الدولي للتقرير المالي ١ وتقييم الافصاحات الإضافية المطلوبة في القوائم المالية. تم اعتبار ذلك كأمر رئيسي للمراجعة حيث أن تسويات التحول نتيجة للتغير في إطار إعداد القوائم المالية والإفصاحات المرتبطة بها في القوائم المالية تتطلب اهتماماً اضافياً خلال مراجعتنا.	- اختبار تسويات التحول بالأخذ بالاعتبار تحليل الفروق الذي قامت به الإدارة والمعلومات المالية المتعلقة بها واحتساب هذه التسويات. - تقييم الافصاحات المستخدمة فيما يتعلق بالتحول للمعايير الدولية للتقرير المالي المعتمدة في المملكة العربية السعودية من خلال الأخذ بالاعتبار المتطلبات ذات العلاقة بالمعيار الدولي للتقرير المالي ١.

المعلومات الأخرى

إن الإدارة هي المسؤولة عن المعلومات الأخرى. وتشمل المعلومات الأخرى المعلومات الواردة في التقرير السنوي، ولكن لا تتضمن القوائم المالية الموحدة وتقريرنا عنها، ومن المتوقع أن يكون التقرير السنوي متاح لنا بعد تاريخ تقريرنا هذا.

ولا يغطي رأينا في القوائم المالية الموحدة المعلومات الأخرى، ولن نُبدي أي شكل من أشكال الاستنتاج التأكيدي فيها.

وبخصوص مراجعتنا للقوائم المالية الموحدة، فإن مسؤوليتنا هي قراءة المعلومات الأخرى المحددة أعلاه عندما تصبح متاحة، وعند فعل ذلك، الأخذ في الحسبان ما إذا كانت المعلومات الأخرى غير متسقة بشكل جوهري مع القوائم المالية الموحدة، أو مع المعرفة التي حصلنا عليها خلال المراجعة، أو يظهر بطريقة أخرى أنها محرفة بشكل جوهري.

عندما نقرأ التقرير السنوي، إذا خلصنا إلى وجود تحريف جوهري فيه، نكون مطالبين بالإبلاغ عن الأمر للجنة المراجعة.

مسؤوليات الإدارة ولجنة المراجعة عن القوائم المالية الموحدة

إن الإدارة هي المسؤولة عن إعداد القوائم المالية الموحدة وعرضها العادل، وفقاً للمعايير الدولية للتقارير المالية المعتمدة في المملكة العربية السعودية، والمعايير والإصدارات الأخرى التي اعتمدتها الهيئة السعودية للمحاسبين القانونيين وأحكام نظام الشركات ونظام الشركة الأساسي، وهي المسؤولة عن الرقابة الداخلية التي تراها الإدارة ضرورية، لتمكينها من إعداد قوائم مالية موحدة خالية من تحريف جوهري، سواءً بسبب غش أو خطأ.

وعند إعداد القوائم المالية الموحدة، فإن الإدارة هي المسؤولة عن تقدير قدرة المجموعة على البقاء كمجموعة مستمرة وعن الإفصاح بحسب مقتضى الحال، عن الأمور ذات العلاقة بالاستمرارية، واستخدام أساس الاستمرارية في المحاسبية، ما لم تكن هناك نية لتصفية المجموعة أو إيقاف عملياتها، أو ليس هناك خيار واقعي بخلاف ذلك.

ولجنة المراجعة هي المسؤولة عن الإشراف على عملية التقرير المالي في المجموعة.

KPMG

مسؤوليات المراجع عن مراجعة القوائم المالية الموحدة

تتمثل أهدافنا في الحصول على تأكيد معقول عما إذا كانت القوائم المالية الموحدة ككل خالية من تحريف جوهري سواء بسبب غش أو خطأ، وإصدار تقرير المراجع الذي يتضمن رأينا. إن التأكيد المعقول هو مستوى عالٍ من التأكيد، إلا أنه ليس ضماناً على أن المراجعة التي تم القيام بها وفقاً للمعايير الدولية للمراجعة المعتمدة في المملكة العربية السعودية ستكشف دائماً عن أي تحريف جوهري عندما يكون موجوداً. ويمكن أن تنشأ التحريفات عن غش أو خطأ، وتُعد جوهرية إذا كان يمكن بشكل معقول توقع أنها ستؤثر بمفردها أو في مجموعها على القرارات الاقتصادية التي يتخذها المستخدمون على أساس هذه القوائم المالية الموحدة.

وكجزء من المراجعة وفقاً للمعايير الدولية للمراجعة المعتمدة في المملكة العربية السعودية، فإننا نمارس الحكم المهني ونحافظ على نزعة الشك المهني خلال المراجعة. وعلينا أيضاً:

- تحديد وتقييم مخاطر التحريفات الجوهرية في القوائم المالية الموحدة سواء بسبب غش أو خطأ، وتصميم وتنفيذ إجراءات مراجعة استجابة لتلك المخاطر، والحصول على أدلة مراجعة كافية ومناسبة لتوفير أساساً لرأينا. ويعد خطر عدم اكتشاف تحريف جوهري ناتج عن غش أعلى من الخطر الناتج عن خطأ، لأن الغش قد ينطوي على تواطؤ أو تزوير أو حذف متعمد أو إفادات مضللة أو تجاوز الرقابة الداخلية.
- الحصول على فهم للرقابة الداخلية ذات الصلة بالمراجعة، من أجل تصميم إجراءات مراجعة مناسبة للظروف، وليس بغرض إبداء رأي عن فاعلية الرقابة الداخلية بالمجموعة.
- تقييم مدى مناسبة السياسات المحاسبية المستخدمة، ومدى معقولية التقديرات المحاسبية والإفصاحات ذات العلاقة التي قامت بها الإدارة.
- استنتاج مدى مناسبة استخدام الإدارة لأساس الاستمرارية في المحاسبة، واستناداً إلى أدلة المراجعة التي تم الحصول عليها، ما إذا كان هناك عدم تأكد جوهري ذا علاقة بأحداث أو ظروف قد تثير شكاً كبيراً بشأن قدرة المجموعة على البقاء كمجموعة مستمرة. وإذا خلصنا إلى وجود عدم تأكد جوهري، فإننا مطالبون بأن نلفت الانتباه في تقريرنا إلى الإفصاحات ذات العلاقة الواردة في القوائم المالية الموحدة، أو إذا كانت تلك الإفصاحات غير كافية، فإننا مطالبون بتعديل رأينا. وتستند استنتاجاتنا إلى أدلة المراجعة التي تم الحصول عليها حتى تاريخ تقريرنا. ومع ذلك، فإن الأحداث أو الظروف المستقبلية قد تتسبب في توقف المجموعة عن البقاء كمجموعة مستمرة.
- تقييم العرض العام، وهيكل ومحتوى القوائم المالية الموحدة، بما في ذلك الإفصاحات، وما إذا كانت القوائم المالية الموحدة تعبر عن المعاملات والأحداث ذات العلاقة بطريقة تحقق عرضاً عادلاً.
- الحصول على ما يكفي من أدلة المراجعة المناسبة فيما يتعلق بالمعلومات المالية للمنشآت أو الأنشطة التجارية ضمن المجموعة، لإبداء رأي حول القوائم المالية الموحدة. ونحن مسؤولون عن التوجيه والإشراف وأداء عملية المراجعة للمجموعة. ونظل الجهة الوحيدة المسئولة عن رأينا في المراجعة.

لقد أبلغنا لجنة المراجعة، فيما يتعلق، من بين أمور أخرى، بالنطاق والتوقيت المخطط للمراجعة والنتائج المهمة للمراجعة، بما في ذلك أي أوجه قصور مهمة في الرقابة الداخلية اكتشفناها خلال مراجعتنا لشركة دور للضيافة ("الشركة") والشركات التابعة لها، يشار إليهم معاً ("المجموعة").

مسؤوليات المراجع عن مراجعة القوائم المالية الموحدة (يتبع)

لقد زودنا أيضاً لجنة المراجعة ببيان يفيد بأننا قد التزمنا بالمتطلبات الأخلاقية ذات الصلة المتعلقة بالاستقلالية، وأبلغناهم بجميع العلاقات والأمور الأخرى التي قد تعتقد بشكل معقول أنها تؤثر على استقلالنا، وبحسب مقتضى الحال إجراءات الوقاية ذات العلاقة.

ومن الأمور التي تم إبلاغها للجنة المراجعة، نحدد تلك الأمور التي كانت لها الأهمية البالغة عند مراجعة القوائم المالية الموحدة للسنة الحالية، وبناءً على ذلك تُعد الأمور الرئيسة للمراجعة. ونوضح هذه الأمور في تقريرنا ما لم يمنع نظام أو لائحة الإفصاح العلني عن الأمر، أو عندما، في ظروف نادرة للغاية، نرى أن الأمر ينبغي ألا يتم الإبلاغ عنه في تقريرنا بسبب أنه من المتوقع بشكل معقول أن تفوق التبعات السلبية لفعل ذلك فوائد المصلحة العامة من ذلك الإبلاغ.

عن / كي بي ام جي الفوزان وشركاه
محاسبون ومراجعون قانونيون

خليل إبراهيم السديس
رقم الترخيص ٣٧١

كي بي إم جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

التاريخ: ١٢ جمادى الآخرة ١٤٣٩هـ
الموافق: ٢٨ فبراير ٢٠١٨م

Consolidated Balance Sheet

For the year ended 31 December 2017 (Saudi Riyal)

	Note	31 December 2017	31 December 2016 (Restated -Note 24)	1 January 2016 (Restated -Note 24)
Assets				
Non-current assets				
Property and equipment, net	6	**1.886.310.833**	1.677.267.545	1.642.303.348
Projects in progress	7	**383.555.729**	375.977.222	216.779.541
Investments in equity accounted investees	8	**26.274.475**	30.436.391	32.163.858
Available-for-sale investments		**7.000.000**	7.000.000	46.241.691
Total non-current assets		**2.303.141.037**	2.090.681.158	1.937.488.438
Current assets				
Inventories	9	**23.798.440**	26.596.735	28.312.599
Trade receivables, net	10	**84.313.392**	66.747.009	72.247.311
Due from related parties	11/1	**21.757.752**	6.837.765	2.134.599
Prepayments and other current assets	12	**19.864.668**	27.132.154	21.406.454
Cash on hand and at banks	13	**153.206.897**	188.460.042	210.180.082
Total current assets		**302.941.149**	315.773.705	334.281.045
Total Assets		**2.606.082.186**	2.406.454.863	2.271.769.483
Equity and Liabilities				
Equity				
Share capital		**1.000.000.000**	1.000.000.000	1.000.000.000
Statutory reserve	21/1	**500.000.000**	500.000.000	500.000.000
Contractual reserve	21/2	**143.002.490**	143.002.490	143.002.490

	Note	31 December 2017	31 December 2016 (Restated -Note 24)	1 January 2016 (Restated -Note 24)
Unrealized gains on available-for-sale investments		**--**	--	6,073,039
Retained earnings		**144.618.292**	135.455.804	140.456.619
Equity attributable to the Company's shareholders		**1.787.620.782**	1.778.458.294	1.789.532.148
Non-controlling interests		**37.610.812**	37.292.773	37.947.742
Total equity		**1.825.231.594**	1.815.751.067	1.827.479.890

Non-current liabilities

	Note	31 December 2017	31 December 2016 (Restated -Note 24)	1 January 2016 (Restated -Note 24)
Noncurrent portion of long-term loans	14	**432.258.650**	283.392.860	188.923.680
Provision for employees' end of service benefits	15	**54.182.936**	55.557.047	50.807.190
Total non-current liabilities		**486.441.586**	338.949.907	239.730.870

Current liabilities

	Note	31 December 2017	31 December 2016 (Restated -Note 24)	1 January 2016 (Restated -Note 24)
Current portion of Long-term loans	14	**37.491.064**	31.500.000	9.294.281
Trade payables		**34.644.795**	21.338.692	14.770.828
Due to related parties	11/2	**16.686.148**	18.164.371	9.886.291
Accrued expenses and other current liabilities	16	**145.167.711**	115.446.302	99.897.810
Dividend payables		**45.301.426**	47.387.302	53.366.488
Zakat provision	17	**15.117.862**	17.917.222	17.343.025
Total current liabilities		**294.409.006**	251.753.889	204.558.723
Total liabilities		**780.850.592**	590.703.796	444.289.593
Total liabilities and equity		**2.606.082.186**	2.406.454.863	2.271.769.483

The attached notes from 1 to 27 are integral parts of such consolidated financial statements.

Consolidated Statement of Profit and Loss

For the year ended 31 December 2017 (Saudi Riyal)

	Note	31 December 2017	31 December 2016 (Restated -Note 24)
Revenues of hospitality		**395.114.826**	424.924.485
Rental revenues		**82.139.079**	66.668.698
Administrative expenses		**6.349.845**	7.619.595
Total of revenues	5	**483.603.750**	499.212.778
Cost of revenues	18	**(353.092.614)**	(352.116.679)
Gross profit		**130.511.136**	147.096.099
Other revenues	20	**5.178.307**	3.509.564
Selling and marketing expenses		**(1.667.673)**	(1.509.105)
General & administrative expenses	19	**(33.499.428)**	(38.121.833)
Realized gains from sale of investment in securities held for trading		**--**	6.917.327
Share of (losses) of equity accounted investees		**(4.161.917)**	(1.727.467)
Operating income		**96.360.425**	116.164.585
Financing revenues		**663.536**	1.047.679
Financing expenses		**(1.092.616)**	(1.140.767)
Net income before Zakat		**95.931.345**	116.071.497
Provision for Zakat	17	**(5.065.120)**	(4.983.911)
Net income		**90.866.225**	111.087.586
:Revenues attributable to			
Company shareholders		**90.631.244**	111.494.863
Non-controlling equity		**234.981**	(407.277)
Net income		**90.866.225**	111.087.586
Earnings per share (EPS):			
Basic and diluted earnings per share (Saudi Riyal)		**0.91**	1.11

The attached notes from 1 to 27 are integral parts of such consolidated financial statements.

Consolidated Statement of Income

For the year ended 31 December 2016

	31 December 2017	31 December 2016 (Restated -Note 24)
Profit for the year	**90.866.225**	111.087.586
Other comprehensive income		
Items to be reclassified subsequently to profit or loss		
Investments-for-sale – change in fair value	--	(6.073.039)
Items not to be reclassified subsequently to profit or loss		
Actuarial profits / losses of reclassifying for employees' end of service benefits	3,749,477	(1.588.112)
Total other comprehensive income / (losses) for the year	3,749,477	(7,661,151)
Total comprehensive income for the year	**94.615.702**	103.426.435
Total comprehensive income for the year attributable to:		
Company shareholders	94.162.488	103.926.146
Non-controlling equity	453.214	(499.711)
Total comprehensive income for the year	**94.615.702**	103.426.435

The attached notes from 1 to 27 are integral parts of such consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017 (Saudi Riyal)

	Share capital	Statutory reserve	Contractual reserve
Balance at 1 January 2016 (Restated -Note 24)	1.000.000.000	500.000.000	143.002.490
Net income for the year	--	--	--
Other comprehensive losses for the year	--	--	--
Total comprehensive income for the year	--	--	--
Dividends	--	--	--
Balance at 31 December 2016	**1.000.000.000**	**500.000.000**	**143.002.490**
Balance at 1 January 2017 (restated)	1.000.000.000	500.000.000	143.002.490
Net income for the year	--	--	--
Other comprehensive income for the year	--	--	--
Total comprehensive income for the year	--	--	--
Dividends	--	--	--
Balance at 31 December 2017	**1.000.000.000**	**500.000.000**	**143.002.490**

Fair value reserve of available-for-sale investments	Retained earnings	Total	Non-controlling equity	Total equity
6.073.039	140.456.619	1.789.532.148	37.947.742	1.827.479.890
--	111.494.863	111.494.863	(407.277)	111.087.586
(6.073.039)	(1.495.678)	(7.568.717)	(92.434)	(7.661.151)
(6.073.039)	109.999.185	103.926.146	(499.711)	103.426.435
--	(115.000.000)	(115.000.000)	(155.258)	(115.155.258)
--	**135.455.804**	**1.778.458.294**	**37.292.773**	**1.815.751.067**
--	**135.455.804**	**1.778.458.294**	**37.292.773**	**1.815.751.067**
--	90.631.244	90.631.244	234.981	90.866.225
--	3.531.244	3.531.244	218.233	3.749.477
--	94.162.488	92.162.488	453.214	94.615.702
--	(85.000.000)	(85.000.000)	(135.175)	(85.135.175)
--	**144.618.292**	**1.787.620.782**	**37.610.812**	**1.825.231.594**

The attached notes from 1 to 27 are integral parts of such consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	31 December 2017	31 December 2016
Cash flows from operating activities			
Net income before Zakat and non-controlling interests		**95.931.345**	116.071.497
Adjustments to:			
Depreciation	6	**64.065.745**	55.134.636
Amortization		**--**	2.487.732
Realized gains from sale of investment in securities held for trading		**--**	(6.917.327)
Unrealized gains from available for sale financial investments		**--**	(6.073.039)
Gains of sale of property and equipment	20	**(3.079.388)**	--
Share of losses of equity accounted investees	8	**4.161.917**	1.727.467
Provision for end of service benefits	15	**5.693.267**	10.197.423
Provision for doubtful debts	10	**1.294.052**	1.478.478
Provisions no longer required	10	**(973.222)**	(2.511.957)
Provision for slow moving inventories	9	**905.510**	610.000
		167.999.226	172.204.910
Changes in:			
Trade receivables		**(17.887.213)**	6.021.180
Prepayments and other current assets		**7.267.486**	(5.725.700)
Inventories		**1.892.785**	1.105.864
Due from related parties		**(14.919.987)**	(4.703.166)
Trade payables		**13.306.103**	6.567.866
Accrued expenses and other current liabilities		**29.721.409**	16.060.449
Dividends payable		**(2.085.876)**	--

	Note	31 December 2017	31 December 2016
Due to related parties		(1.478.223)	8.278.080
Proceeds from sale of investments in securities held for trading		--	46.159.018
Cash flows generated from operating activities		**183.815.710**	245.968.501
Zakat paid	17	**(7.864.480)**	(4.409.714)
Provision for end of service benefits paid	15	**(3.317.901)**	(7.035.677)
Net cash flows generated from operating activities		**172.633.329**	234.523.110
Cash flows from investing activities			
Payments of selling property and equipment		**6.357.455**	--
Purchase of property and equipment	6	**(21.126.745)**	(16.265.517)
Additions for projects in progress	7	**(262.838.862)**	(235.518.729)
Net cash flows used in investing activities		**(277.608.152)**	(251.784.246)
Cash flows from financing activities			
Proceed from long-term loans	14	**272.098.471**	127.894.535
Repayment of long-term loans	14	**(117.241.618)**	(11.219.636)
Dividends		**(85.000.000)**	(120.978.545)
Dividends paid for non-controlling interests		**(135.175)**	(155.258)
Net cash flows used in financing activities		**69.721.678**	(4.458.904)
Net decrease in cash and cash equivalents		**(35.253.145)**	(21.720.040)
Cash and cash equivalents at the beginning of the year (1 January)		**188.460.042**	210.180.082
Cash and cash equivalents at the end of the year (31 December)		**153.206.897**	188.460.042

The attached notes from 1 to 27 are integral parts of such consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017 (Saudi Riyal)

1. Organization and Activities

Dur Hospitality Company (formerly known as Saudi Hotels and Resorts Company) ("the Company" or "the Parent Company") is a Saudi Joint- Stock Company was formed under the Regulations for Companies and registered in Saudi Arabia registered under the Commercial Registration No. 1010010726 dated 6 Muharram 1397H (corresponding to 27 December 1976) as a Saudi Joint Stock Company.

The Company›s activities comprise of constructing, owning, operating, managing, investing, buying, entering into partnership, renting hotels, restaurants, motels, rest stops, entertainment centers, travel agencies, private beaches which vary in grade and size in cities, public roads and tourism areas. In addition, the activities include owning, developing and dividing lands and constructing buildings on them or renting them, providing services to pilgrims and visitors to the Prophet›s Mosque in addition to carrying out all core and intermediate business required to implement process and start various activities of the above-mentioned works in line with their purposes. The Company shall carry out its purposes by itself or through contracting others jointly or separately.

1.1 Share Capital

The Company's capital amounting to SR 1,000,000,000 is divided into 100 million shares of SR 10 per share.

The Company's head office is located in the city of Riyadh
P.O. Box 5500 Riyadh 11422
Kingdom of Saudi Arabia

1.2 The Consolidated Financial Statements

The consolidated financial statements include the financial statements of Dur Hospitality Company and its subsidiaries (collectively referred to as «the Group») in which the Company owns direct share in their equity that enables it to exercise control over them. These subsidiaries as at 31 December 2017 are as follows:

Name of the subsidiary	Capital (Saudi Riyal)	Shareholding %
Makkah Hotels Company LLC	165.600.000	99.44٪
Saudi Hotel Services Company	70.000.000	70٪
Alnakheel for Tourist Areas Limited	59.250.000	98.73٪
Tabuk Hotels Company LLC	27.300.000	97.14٪
Jude Alia Company Limited	100.000	99٪
The Security Source Limited Company	100.000	95٪
Al Sawaed Al Kareemah Investment Company	100.000	95٪
Dara Oasis Limited Company	100.000	100٪
Hotel Hospitality Ambassadors Company	100.000	100٪

The below are details of the subsidiaries and their activities:

Makkah Hotels Company LLC

Makkah Hotels Limited Company is a Limited Liability Company established in the Kingdom of Saudi Arabia and registered under the Commercial Registration No. 4031011879 dated 20 Ramadan 1402H (corresponding to 12 July 1982), The purpose of the company is to work in the hospitality activity in general inside and outside the Kingdom through owning, investing or entering in to partnership for hotels and restaurants. The company owns Makarim Ajyad Makkah Hotel in Makkah.

1. Organization and Activities (Continued)

1.2 The Consolidated Financial Statements

Saudi Hotel Services Company LLC

Saudi Hotel Service Company is a Limited Liability Company and was formed in the Kingdom of Saudi Arabia under the Commercial Registration No. 1010010454 dated 11 Dhu Al-Qa'dah 1433H corresponding to 4 November 1996. The principal activities of the company include establishment of a five-star tourist hotel in the city of Riyadh, its management, investment and performing all related legal proceedings in addition to conducting all basic and intermediate work necessary to execute, prepare and direct different activities of the hotel in the way that consistent with the purpose in which it is intended, and contra cting with others in all matters related to the hotel. The company conducts its activity through managing and operating Riyadh Palace Hotel under License No. 1306 dated 25 Dhu Al-Qa'adah 1416H (corresponding to 16 April 1996).

Annakheel for Tourist Areas Limited

Annakheel for Tourist Areas Limited Company is a Limited Liability Company established in Kingdom of Saudi Arabia and registered under the Commercial Registration No. 4030092204 dated 22 Jumada II 1413H (corresponding to 17 December 1992). The Company's purpose is to construct, own, rent and sell of residential, commercial and leisure properties, hotels, restaurants, guesthouses, tourism beaches amusement parks and gymnasiums. The Company owns Makarim Annakheel Village in Jeddah. During 2008, the Company acquired an additional 48% in the Company's share capital from several other shareholders. The Company is still in the process of completing the legal procedures to amend the Article of Association and the Commercial Registration in relation to this acquisition.

Tabuk Hotels Company LLC

Tabuk Hotels Limited Company is a Limited Liability Company established in Kingdom of Saudi Arabia and registered under the Commercial Registration No. 3550006303 dated 5 Rabi II 1406H (corresponding to 17 December 1985). The company is engaged in the establishment of a five-star hotel in a northern region of Tabuk including hotel facilities, services, and hotel activity in general inside and outside the Kingdom through owning, renting or entering into partnership for hotels and restaurants. The Company owns Makarim Tabuk Hotel in Tabuk. During 2008, the Company acquired an additional 44% in the Company›s share capital from several other shareholders. The Company is still in the process of completing the legal procedures to amend the Article of Association and the Commercial Registration in relation to this acquisition.

Jude Alia Company Limited

Jude Alia Company Limited is a Limited Liability Company and was formed in the Kingdom of Saudi Arabia under the Commercial Registration No. 1010433370 dated 27 Dhu Al-Hijjah 1435H, corresponding to 21 October 2014. The principal activities of the company include building and construction.

The Security Source Limited Company

The Security Source Limited Company is a Limited Liability Company and was formed in the Kingdom of Saudi Arabia under the Commercial Registration No. 1010428949 dated 16 Shawwal 1435H, corresponding to 13 August 2014. The principal activities of the company include securing and providing special civil security guard services throughout the kingdom of the third class with a number not exceeds four hundred Saudi civil security guard pursuant to the Public Security letter No. (1078413/3) dated 28 Rajab 1435H.

Al Sawaed Al Kareemah Investment and Real Estate Development Company

Al Sawaed Al Kareemah Investment and Real Estate Development Company is a Limited Liability Company and was formed in the Kingdom of Saudi Arabia under the Commercial Registration No. 1010437489 dated 30 Sha'ban 1436H, corresponding to 17 June 2015. The principal activities of the company include construction, building, transportation, storage, refrigeration, financial and business and other services, personal, community and social services, trading, information technology, as well as tourist accommodation services pursuant to license of the Saudi Commission for Tourism and National Heritage No. (F/37/0096) dated 6 Safar 1437H.

Hotel Hospitality Ambassadors Company

Hotel Hospitality Ambassadors Company is a One-Person Company L.L.C established in the Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1010901133 dated 27 Safar 1439H (corresponding to 16 November 2017). The principle activities of the company include tourism, hotels and restaurants, and exhibitions organization. The company practices its activities pursuant to the regulations and after obtaining the necessary licenses from the competent authorities.

Dara Oasis Limited Company

Dara Oasis Limited Company is a One-Person Company L.L.C established in the Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1010901132 dated 27 Safar 1439H (corresponding to 16 November 2017). The principle activities of the company include tourism, hotels and restaurants, and exhibitions organization. The company practices its activities pursuant to the regulations and after obtaining the necessary licenses from the competent authorities.

2. Basis of Preparation

Applied Accounting Standards

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved in Saudi Arabia, and the other standards and publications issued by Saudi Organization for Certified Public Accountants. For all previous periods for the year ended 31 December 2016, the Group has Prepared and presented their regular financial statements in accordance with accounting standards in the Kingdom of Saudi Arabia Issued by the Saudi Organization for Certified Public Accountants, as well as the requirements of the Saudi Companies regulations and statutes of the company in compliance with the preparation and presentation of financial statements. The term "Accounting standards commonly used in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants "refers to the accounting standards generally recognized in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants before applying the IFRS approved in Saudi Arabia.

With reference to the financial periods starting from 1 January 2017, the statute requires from the Group to prepare and present its financial statements pursuant to the IFRS approved in Saudi Arabia, as well as the other standards and publications issued by the Saudi Organization of Certified Public Accountants. As part of such requirements, the Group has prepared these consolidated financial statements.

As per the requirements of the CMA dated 16 October 2016, the Group is required to apply the cost model for the measurement of property, tools and equipment, real estate investments and intangible assets when applying IFRS for the three-year period starting from the date of applying IFRS.

Whereas such consolidated financial statements are prepared pursuant to IFRS approved in the Kingdom of Saudi Arabia, these consolidated financial statements of the Group consider part of the period covered in the first annual financial statements. Accordingly, IFRS 1 has been applied "applying IFRS for the first time" by the Group to prepare the consolidated financial statements.

In Note 24, it presents the impact of transition to IFRS on the previously listed equity as at 31 December 2016 and the Group's comprehensive income for the year ended 31 December 2016, including the nature and effect of material changes in accounting policies for those used in the Group's financial statements for the year ended 31 December 2016.

Basis of Measurement

The consolidated financial statements have been prepared on historical cost basis (except for available-for-sale investments, which are stated at fair value), using the accrual basis of accounting and the going concern concept.

Functional and Presentation Currency

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

Use of Estimates and Judgments

Estimates are in line with the transition to IFRS as at the end of the earliest reporting period presented with those prepared in accordance with generally approved accounting standards in Saudi Arabia and exported by Saudi Organization for Certified Public Accountants (SOCPA) after adjustments to reflect any differences in accounting policies, except for end of service benefits which does not require estimates when applying standards of SOCPA.

The estimates used by the Group to present these amounts in accordance with IFRS approved in Saudi Arabia that reflect the circumstances of transition to IFRS as at the end of the earliest reporting period shown.

The preparation of the consolidated financial statements requires the management to make judgment, estimates and assumptions which have an effect on the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The main assumptions related to the future and the other key sources of estimation uncertainty in the report is of significant risk that could result significant adjustments of the book value to the assets and liabilities during the following financial year listed below. The group is based on its estimates on the information available when preparing the consolidated financial statements. The current circumstances and assumptions about the future developments may change due to market changes or conditions out of control the group. Such changes affect the assumptions while occurring.

Plans of Defined Benefits

The cost of the defined benefits and the current value of the related liability are determined by the actuarial valuations. The actuarial valuation includes various assumptions that may differ from actual developments in the future. These factors include determining the discount rate and the future increases in salaries and mortality rates. As per the complexity of the assessment and the underlying long-term assumptions, the obligation of the defined benefit is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is the most changeable factor. By determining the appropriate discount rate, the management takes in consideration the interest rates for corporate bonds in the same currency with that of the end of service benefits not less than the rate "AA" or higher, as determined by an internationally accredited rating agency to match the expected duration of the defined benefit obligation. The main bonds are reviewed to ensure their quality and deleting those with excessive credit adjustments from analyzing the bonds on which the discount rate is based, on the basis of that they do not represent high quality bonds.

Mortality rate is based on mortality tables for certain countries. The mortality tables change only over period in response to population changes. The future salary increases are based on the expected inflation rates for certain countries.

3. The New Standards and Issued Amendments but not In Force

The issued standards and amendments but not applied to the consolidated financial statements are listed below. The Group expects reasonably that such list of the issued standards has an impact on the announcements, financial position and performance upon applying in the future. The following are the standards and amendments issued but not in force till now.

IFRS 9: Financial Instruments

Finance: The International Accounting Standards Board (IASB) issued in July 2014 the final version of IFRS 9 - financial instruments that replace IAS 39 financial instruments: evidence, measurement and all previous versions of the IFRS Report 9. The IFRS 9 combines among the three aspects of accounting for financial instruments: classification, measurement, impairment, and hedge accounting. IFRS 9 is valid on annual periods starting in or after 1 January 2018 allowing early applicable. With the exception of hedge accounting, applying retroactively is required but representing the comparison information is not mandatory. For hedge accounting, applying the requirements retroactively with some limited exceptions are needed. The group started to evaluate the potential impact for applying IFRS 9 in its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014. The new standard introduces a five-step accounting model on revenue generated from contracts with the customers. Under the IFRS 15, revenue is recognized at that reflects the consideration that the entity expects for transferring goods or services to the customer.

The new revenue standard will replace all the proof requirements of the current income pursuant to IFRS. The standard must be applied either full retrospectively or amended retroactively for the annual periods starting in or after 1 January 2018.

IFRS 16 – Leases

IFRS 16 introduces a single lessee accounting model in the statement of financial position. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are optional exceptions for short-term leases and low-value leases. The lessor's accounting remains similar to the current standard, meaning that the lessors continue to classify the leases as finance or operating leases

IFRS 16 replaces existing leases guidelines, including IAS 17 on leases, IFRIC Interpretation for the financial report 4 to determine whether an arrangement includes lease contract and the IFRIC interpretation 15 - Financing leases – incentives, and IFRIC Interpretations, evaluating the transactions according to the legal form of the leases.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted (as long as IFRS 15 - revenue from contracts with customers is also applied) on or before the due date of application of the IFRS.

The new standards abovementioned are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted but the Group has not applied early to the new or amended standards upon preparing these consolidated financial statements.

The following standards are not expected to have a material impact on the group's financial statements in the period of initial application:

- IFRS (9): "Financial Instruments"
- IFRS (15) – "revenue from contracts with customers

Other Amendments

The following new or amended standards are not yet effective and are not expected to have a material impact on the Group's financial statements:

- Classification and measurement of share-based payment transactions (amendments on IFRS 2)
- Sale or share of assets between an investor and its affiliate or a joint venture (amendments on IFRS 10 and IAS 28)

4. Significant Accounting Policies

The Group has applied the following accounting policies in preparing the initial consolidated statement of financial position in accordance with IFRS in 1 January 2016 transition to IFRS unless otherwise indicated. The following are the applied accounting policies:

A. Financial statements basis of consolidation

Basis of consolidation

Control is achieved when the Group is exposed or has the right in variable returns because of its involvement with the investee and can influence on such returns through the control of those companies. In particular, the Group controls the investee only if:

- The Group has to control the investee company (the current rights granted by its current capacity to guide activities related to the investee company).
- The Group has the rights in variable returns due to their involvement with the investee company.
- The Group has the ability to use its control over the investee to influence its returns.

In assessing control, there is a presumption that the majority of potential voting rights that presently are exercisable are taken into account. For supporting such idea, when the Group has voting rights that are less than the majority of the voting rights or similar rights of the investee, the Group takes in consideration all related facts and circumstances in assessing whether it has authority over the investee, including contractual arrangements with the other voters of the investee company, rights arising from other contractual arrangements, voting rights of the Group and the potential voting rights.

The Group reassesses whether it controls the investee company or whether the circumstances and facts indicate that there are changes to one or more of the three controls. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The results of subsidiaries acquired or disposed of during the year, if any, are included in the briefed consolidated financial statements from the date the Group obtains control until the date that the Group ceases to control the subsidiary. Gains or losses and each item of comprehensive income are attributable to the Group's shareholders and to non-controlling interests, even if this results in a deficit in the non-controlling interest.

Adjustments of the financial statements are made to subsidiaries, if necessary, to comply with their accounting policies with the Group's accounting policies. Any assets, liabilities, unrealized gains, expenses and cash flows among the Group's companies are fully eliminated upon consolidation.

Non-controlling interests are measured at their proportionate share in the subsidiary's identifiable net assets at the date of acquisition.

Changes in a subsidiary ownership are accounted without loss of control as transactions within equity.

If the Group loses control of a subsidiary:

- Derecognition of assets (including goodwill) and subsidiary's liabilities.
- Derecognition of the book value of any non-controlling interest.
- Derecognition of exchange rate differences of accumulative currencies recognized in equity.
- Recognition of the fair value of the consideration received.
- Recognition of the fair value of any retained investments.
- Recognition of any surplus or deficit in the consolidated statement of profit or loss.

Reclassification of the Group's share items previously recognized in the consolidated statement of comprehensive income to the consolidated statement of profit or loss or the retained earnings, whichever is appropriate, and will be required if the Group has directly eliminated of the related assets and liabilities.

Investments in subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to participate in the financial and operating policies of an entity so as to obtain benefits from its activities, but not to control such policies.

The considerations that are taken to determine whether the power is significant considers the same of that required to determine the control on subsidiaries.

Group's investments in its subsidiaries are accounted by the equity method. Pursuant to the equity method, investments in subsidiary are initially recognized by the cost. The book value of the investment is amended to recognize the changes in the Group's share in the net assets of the subsidiary from the date of acquisition. Goodwill of the subsidiary is listed in the book value of the investment and is not tested for impairment separately.

The initial consolidated statement of profits and losses reflects the Group's share in the results of the subsidiary's transactions. Any change in the consolidated statement of comprehensive income of the investee is presented as part of the Group's consolidated statement of comprehensive income. Additionally, when there is a directly recognized change in equity of the subsidiary, the Group recognizes its share of any changes, when applicable, in the changes statement in equity. Unrealized profits and losses arising from transactions between the Group and the subsidiary are eliminated according to its ownership in the subsidiary.

The Group's total share is recognized in the consolidated statement of profits and losses of the subsidiary separately in the consolidated statement of profits and losses.

The consolidated financial statements of the subsidiary are prepared for the same financial period of the Group. Upon necessary, adjustments are made to comply with the accounting policies of those used by the Group.

After applying the equity method, the Group determines whether it is necessary to establish impairment losses on its investment in the subsidiary. At each reporting date, the Group determines if there is an objective evidence that the investment in the subsidiary has been impaired. And if such evidence exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying amount and proves the losses recognition as part of the subsidiary's profit share in the consolidated statement of profits and losses.

Upon losing the power on the subsidiary, the Group measures and recognizes any retained investment by the fair value. Any differences between the subsidiary's carrying amount upon losing the power and the fair value of the retained investment and the proceeds must be recognized from eliminating in the consolidated statement of profits and losses.

4. Significant Accounting Policies (Continued)

B. Foreign currency transactions

Transactions in foreign currencies are translated to Saudi Riyal using the rates of exchange prevailing at the dates of the respective transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyal using prevailing exchange rates prevailing on that date. Gains and losses resulting from changes in exchange rates are recognized in the consolidated statement of income currently.

C. Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group,
- it can be reliably measured, regardless of when the payment is being made
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Revenue from hospitality

Revenue from hotel accommodation, room rental, food and beverage services and other related services from the owned and leased hotels under the Group brand name are recognized upon occupying the rooms and selling food and beverage.

Management and operation fees

Revenue from hotels managed by the Group are calculated by an agreed rate according to the contract with the management of the owner companies. Management fees include the main fees which are proportion of the hotel's revenues and / or incentive fees according to the hotel's profitability and are recognized when earned on an accrual basis under the terms of the contract.

Revenue from lease

Revenue from the lease are recognized on a straight-line basis over the period of the lease. And the granted incentives are recognized as an integral part from the lease revenues over the period of the lease contract.

D. Employees' benefits

Employee's Short-term benefits

Employee's Short-term benefits are recognized as expenses upon providing the related services. The commitment of paying the expected amount is recognized when the Group has a present commitment, legally or implicitly, to pay for the employee's previous services. Such commitment can be estimated reliably.

Defined Benefit Plans

The Group's net liabilities relating to the defined benefit plans are separately calculated for each plan by estimating the amount of future benefits received by employees, in present or prior periods, deducting this amount and subtracting the fair value of plan assets.

The defined benefit liabilities are calculated annually by a qualified actuary using the projected unit credit method. When the calculation results in potential assets of the Group, the recognized asset is limited to the present value of the economic benefits available in the form of any future recoverable amounts of the plan or reductions in the future contributions of the plan. To calculate the present value of the economic benefits, any applied minimum funding requirements shall be considered.

Both the net remeasurement of defined benefit liability, including actuarial profits and losses, and the returns on plan assets (except interest) and the effect of the asset limit / ceiling, if any, (except interest) are recognized directly in other comprehensive income. The Group determines the net interest expenses (revenues) on the net defined benefit liabilities (assets) for the period by applying the discount rate used to measure the defined benefit liabilities at the beginning of the year in which the net defined benefit liability (asset) is determined, taking in consideration any changes in the net defined benefit liabilities (assets) during the period as a result of contributions and benefit payments. The net interest expenses and other expenses related to defined benefit plans are recognized in profits or losses statement.

Upon any change in the benefit plan or reducing it, such change must be recognized directly in the benefits of previous service or the gains and losses resulting from the curtailment in gains and losses. The Group recognizes the gains and loss arising from the settlement of the defined benefit plan at the time the settlement.

E. Zakat

The Company and its subsidiaries are subject to zakat in accordance with the zakat regulations issued by the General Authority for Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia ("the Authority") which are subject to interpretation. Zakat is charged from the amended Zakat profit or giving of 2.5% at a fixed rate of the net basis of equity by the basis specified in the Zakat Regulations, whichever is higher.

The management makes appropriate provisions based on the amounts expected to be paid to the Authority and assess periodically the position of the Zakat declarations in respect of the cases in which the applicable Zakat Regulations are subject to interpretation. Provision for Zakat is recognized in the consolidated statement of gains and losses. Additional Zakat liabilities, if any, relating to assessment to previous years issued by the Authority are calculated in the period in which the final assessment is received.

4. Significant Accounting Policies (Continued)

F. Inventories

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

G. Property and Equipment

Recognition and measurement

Property and equipment are measured at cost, including the cost of capitalized loans less accumulated depreciation and accumulated impairment loss, when necessary. When part of the property and equipment has different useful lives, they are calculated as separate items (key elements) of the property and equipment.

Any gains and losses on disposal of an item of property and equipment is recognized in the gains and losses as other income.

When property and equipment include items of different useful lives, these items are calculated as separate items in accordance with the main components of the property and equipment.

Subsequent expenditures

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in these expenses to the Group.

Depreciation

Depreciation is charged to write off the cost of property and equipment less their estimated residual value on a straight-line basis over the estimated useful lives of individual item of property and equipment, and is normally recognized in profits and losses. Land is not depreciated.

The estimated useful lives of assets will be depreciated as follow:

• Buildings	70 – 75 years
• Improvements on buildings	5 years or lease term whichever is less
• Furniture	10 years
• Vehicles	4 years
• Devices and equipment	5 years
• Elevators and central air conditioning system	40 years

The depreciation methods, useful lives and residual values are reviewed in each reporting period and adjusted where appropriate..

H. Projects in progress

Projects in progress are represented at cost and are not depreciated. Such project depreciation starts when the assets is intended for use in its specific purpose, where they are transferred to the property and equipment or real estate investments. Financing costs incurred on loans to finance the creation of qualifying assets are capitalized over the period necessary to complete and prepare the asset for its specific purpose.

I. Financial Instruments - Initial evidence and cancellation of subsequent evidence

Financial instrument is any contract that led to a financial asset for an enterprise and a financial liability or a proprietary instrument of another enterprise

Financial assets

Initial evidence and measurement

Assets are classified at initial measurement as financial assets at Fair Value Through Profit or Loss (FVTPL), lending and claims, held to maturity and available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge.

All financial assets rather than the assets at fair value are measured through FVTPL plus the direct attributable transaction costs. Transaction costs of financial assets at FVTPL are recognized in the consolidated statement of profit or loss as incurred.

The Group has the following financial assets: Available-for-sale investments, cash and cash equivalents, receivables, due from related party and held-to-maturity investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as shown below:

Lending and debts

Lending and debts are non-derivative financial assets of specific or defined value which does not listed in an active market. After the initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate less impairment.

Amortized cost is calculated by considering any discount or premium upon acquisition and fees or costs that are integral part of the effective interest rate. The amortization of the effective interest rate portion of the financing income is recognized in the consolidated income statement. Losses arising from impairment in the consolidated statement of income in financing costs are recognized for loans or other operating expenses for debts.

Available-for-sale investments

Available for-sale-investments include equity and debt securities, and they are not held for trading and not held at fair value through profit or loss. Debt securities in this category are those intended to be held for an indefinite period which could be sold to meet liquidity needs or in response to the changes of the market.

4. Significant Accounting Policies (Continued)

After the initial measurement, available-for-sale investments are subsequently measured at fair value and unrealized gains or losses are recognized in the consolidated statement of comprehensive income in the available-for-sale investment reserve until the investment derecognition. At that time, the cumulative gain or loss is recognized in other operating income or when determining impairment of investment, and then accumulated losses are reclassified to the consolidated statement of profit or loss in financing costs and removed from the available for sale investments reserve. Interest income on debt securities available-for-sale is calculated using the effective interest method and recognized in the consolidated income statement. The Group assesses available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate.

When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly in the future, the Group may choose to reclassify these financial assets in rare cases. For financial assets reclassified outside the category of available-for-sale assets, the carrying amount of the fair value at the date of reclassification becomes the new cost and any prior gain or loss on that asset recognized in equity is written off to the consolidated statement of profit or loss over the remaining life of the investment by the effective interest rate.

Any difference between the new amortized cost and the maturity amount is amortized over the remaining life of the asset through the effective interest rate method. If the asset is subsequently determined to be impaired, the recorded amount in equity is reclassified to the consolidated statement of profit or loss.

Held-to-maturity financial assets

Investments with a fixed or determinable payment amount and maturity date that the Group has the intention and ability to hold-to-maturity are classified as held-to-maturity. such investments are carried at amortized cost by the effective interest method decreasing any impairment and revenue recognition in the effective return method. The Group takes in consideration the credit risk of counterparties in assessing whether these financial instruments have been impaired.

Held-to-maturity investments include deposits in banks and other high-liquidity investments with original maturities of three months or more but not more than one year from the date of purchase.

The Group does not have any financial assets held for trading and assets designated at initial recognition at FVTPL.

Derecognition

Financial asset (or part of a financial asset, when applicable) is derecognized in case of:

- Termination of rights to receive cash flows from the asset.
- The Group transfers its rights to receive cash flows from the asset or undertakes to pay the cash flows received in full without any material delay to third party through arrangements, or
- The Group transfers substantially all the risks and benefits of the asset
- The Group has neither transferred nor retained substantially all of the risks and benefits of the asset but transferred control of the asset.

Impairment of financial assets

The financial assets that are not designated at FVTPL, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The financial asset or group of financial assets is impaired only if there is an objective evidence of impairment because of one or more events occurring after the initial recognition of the asset and the event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The impairment evidence may include indications that debtors or a group of debtors are facing critical financial difficulties, delinquency or delay in principal debt repayment, the possibility of bankruptcy or financial reorganization, and when observable data indicate a measurable impairment in estimated cash flows such as changes in economic conditions associated with delinquency.

Financial assets that are carried at amortized cost

Concerning the financial assets that are carried at amortized cost, the Group initially assesses whether there is an impairment of an individual asset individually. If the Group estimates that there is no objective evidence of impairment in value of an individually assessed financial asset, whether material or not, the asset is included in a group of financial assets with similar credit risk and collectively assessed for impairment. Regarding individually assessed assets to determine impairment losses, or still not recognized, are not included in the collective assessment of impairment. The amount of any impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated cash flows (other than expected future credit losses that have not yet been incurred). The present value of estimated future cash flows is discounted at the effective interest rate of the financial asset.

The carrying amount of the asset is reduced through a dedicated account and the recognizing the losses in the consolidated statement of profit or loss. Interest income (recognized as financing income in the consolidated statement of profit or loss) continues to be recognized at the reduced carrying amount and is eligible to be used using the interest rate to discount future cash flows for the purpose of measuring impairment losses.

Loans and related provisions are written off when there is no real prospect of recovery in the future and all guarantees have been secured or transferred to the Group. In case of increasing or decreasing the estimated impairment losses in the subsequent year due to events occurring after the impairment recognition, the previously recognized impairment losses are increased or reduced through adjusting the dedicated account. In case of subsequent written off redemption, the amount of redemption from administrative and general expenses is reduced to the consolidated statement of profit or loss.

4. Significant Accounting Policies (Continued)

Available-for-sale financial assets

At each reporting date, the Group assesses whether there is an objective evidence that the investment or group of investments have been impaired. In the case of equity investments classified as available-for-sale, the objective evidence may include "significant" or "permanent" impairment in the fair value of investments less than its cost. Determination of significant or permanent impairment requires provisions, and for conducting such provisions, the Group assesses, along with other factors, the movement of the previous share price and the extent to which the fair value of the investment is less than its cost.

Financial liabilities

Evidence and measurement

Financial liabilities at initial evidence are recognized as financial liabilities at FVTPL, loans, borrowing and payables, as appropriate. All financial liabilities other than liabilities at FVTPL are recognized initially at fair value after deducting directly transaction costs. Financial liabilities at FVTPL are measured initially and subsequently at fair value and any related transaction costs are recognized in the consolidated statement of profit or loss as incurred. The Group's financial liabilities include loans and due payables and due to related parties.

J. Cash and cash equivalents

As per preparing the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three months or less. It also consists of bank overdrafts that are integral part of the Group's cash management and are likely to fluctuate from uncovered balances to positive balances. Overdrafts (where there is no right to settle) are shown as loans in current liabilities.

K. Trade receivables

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified, against its related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to consolidated statement of income.

L. Statutory reserve

In accordance with its Bylaws and the former Saudi Companies Regulations, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The new Saudi Companies Regulations, which came into force on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. The Company is currently in the process of amending its Bylaws. This Statutory Reserve is not available for distribution to shareholders.

M. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of the non-financial assets to determine whether there is any indication of impairment. If the indicator exists, the recoverable asset is estimated.

The carrying amounts of non-financial assets other than the inventory of the Group are reviewed at each reporting date to determine whether there is any indication of impairment. If the indicator exists, the recoverable asset is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or fair value less costs to sell. upon assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risks to the asset. For impairment testing, assets that cannot be individually examined are grouped together in the smallest group of assets generating cash flows from continuous use and are highly independent of the cash flows of other assets or group of assets (cash-generating unit).

If there is an indication that the assets of the Company may be impaired, the recoverable amount of the cash-generating unit of the Company's assets is determined. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses on the cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined (after deducting depreciation or amortization) if the impairment loss has not been recognized.

N. Provisions

A provision is recognized if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation. Where there is material effect on the time value of money, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and risks involved in the obligation. The deduction is recognized as an expense.

O. Leases

Determining whether the arrangement involves or does not involve a lease contract depends on the essence of the arrangement at the date of its creation. The arrangement is assessed to determine whether the arrangement is to be met using a specific asset and that the arrangement transfers the right to use the asset or assets even if that right is not explicitly specified in the arrangement.

The Group as lessee

Finance leases that are transferred to the Group substantially all the risks and benefits of ownership of the leased item at the beginning of the lease are capitalized at the beginning of the lease at the fair value of the leased asset or at the present value of the minimum lease payments, whichever is less.

4. Significant Accounting Policies (Continued)

Lease payments are allocated between financing expenses and a reduction in lease liability to gain a constant interest rate on the outstanding balance of the liability. Financing expenses are recognized in financing costs in the consolidated statement of income.

The leased asset is depreciated over the useful life of the asset. However, if there is no reasonable assurance that the Group will obtain ownership at the end of the lease period, the asset is depreciated over the estimated useful life of the asset and the lease period, whichever period is the shorter.

The operating lease is another lease than a finance lease. Payments under operating leases are recognized as operating expenses in the consolidated statement of income on a straight-line basis over the term of the lease.

The Group as lessor

Leases that the Group does not substantially transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The direct initial costs incurred in the negotiation and arrangement of the operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. The potential lease is recognized as income in the realized period.

S. Fair value measurement

Fair value is the price that is received against the sale of an asset or is paid to settle a liability in a normal transaction between market participants in the measurement date. The fair value measurement is according to assumption that the transactions for the sale of the asset or the transfer of the liability occur either:

- In the main market of assets or liabilities, or
- In the absence of a main market, in the most advanced markets of assets or liabilities.

The main market or the most advanced market must be accessible by the group. The fair value of an asset or liability is measured by assumptions that the market participants will use while pricing an asset or liability on the assumption that market participants represent their economic interest.

Measuring the fair value of non-financial assets takes into consideration the ability of market participants to gain economic benefits by using assets at their maximum and best way or by selling them to another market participant who uses the same asset at the maximum and best way.

The Group applies the appropriate valuation methods in circumstances where necessary information is available to measure the fair value, with benefit maximization of inputs that can be realized and reduce the use of inputs that cannot be realized.

All assets and liabilities that are measured at fair value or disclosed in the consolidated financial statements are classified in the fair value sequence. This is disclosed below, according to low level inputs that are important for measuring fair value as a whole:

Level 1: quoted prices (unamended) in active markets for similar assets and liabilities

Level 2: assessment methods that the lowest level of significant inputs to measure fair value can be recognized either directly or indirectly.

Level 3: assessment methods that the lowest level of significant inputs to measure fair value cannot be recognized.

In accordance with the assets and liabilities recognized in the consolidated financial statements at fair value on a frequent basis, the Group determines whether the transfer occurred between the levels in the hierarchy by reassessing the classification (pursuant to the lowest level of significant inputs to the fair value measurement as a whole) at the end of the reporting period. The Group sets out policies and procedures for the measurement of fair value and the measurement of non-frequent fair value.

At each reporting date, the Group analyzes the changes assets and liabilities values that need to be re-measured or reassessed in accordance with the Group's accounting policies. For this analysis, the Group verifies the key inputs applied to the latest assessment by matching the information in the assessment calculation with contracts and other related documents. The Group also compares the change in the fair value of each asset or liability with other external sources to determine whether the change is reasonable. In order to disclose the fair value, the Group has identified categories of assets and liabilities according to the nature, characteristics and risks of the asset or liability and the hierarchy level of the fair value as described above.

T. Dividends

Annual dividends payable for the year are recorded when approved by the shareholders.

U. Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company on the weighted average basis of outstanding shares during the period less the equity. Diluted earnings per share is determined by discounting the profit or loss attributable to ordinary shareholders and the weighted average of outstanding shares discounting the held-up shares to the effect of all dilutive potential ordinary shares consisting of convertible payment notes and options of share granted to employees, if any.

V. Segment reporting

An operating segment is one of the group components that is involved in business activities and from which revenue can be recognized and expenses incur and include transaction income and expenses with any of the other components of the group. All operating results of the operating segments are reviewed by the Group's operating decision makers to make decisions about the resources to be allocated to the segment and to assess their performance and which have separate financial information.

5. Segment Reporting

5.1 Operating Segment

The Group has the following three main business segments, which are its operational segments. These segments provide different services and are managed separately because they have different economic characteristics - such as sales growth trends, rate of return and capital investment levels, as well as various marketing strategies.

Segment Reporting	Operations
Hotels	Represented in hotels by the Group and revenue achieved therefrom whether these hotels are self-operated by the Group or through an external operator independent from the Group.
Properties owned	Represents properties owned by the Group which are utilized by lease to others and represents mainly residential compounds and commercial centers.
Administrative expenses	Represents managing and operating of properties not owned by the Group.

	Recorded Segment			
	Hotels 2017	Administrative expenses 2017	Properties owned 2017	Total 2017
Segment revenues	**395.114.826**	**6.349.845**	**82.139.079**	**483.603.750**
Segment costs	**(302.980.216)**	**(4.151.630)**	**(45.960.768)**	**(353.092.614)**
Segments gross profit	**92.134.610**	**2.198.215**	**36.178.311**	**130.511.136**
Financing income	**316.845**	--	--	**316.845**
Depreciation and amortization	**50.792.746**	--	**9.645.651**	**60.438.397**
Segment assets	**1.607.350.119**	--	**906.227.230**	**2.513.577.349**
Property, equipment, and projects in progress	**1.317.939.997**	--	**859.421.729**	**2.177.361.726**
Segment liabilities	**207.530.938**	--	**573.319.654**	**780.850.592**

	Recorded Segment			
	Hotels 2016	Administrative expenses 2016	Properties owned 2016	Total 2016
Segment revenues	424.924.485	7.619.595	66.668.698	499.212.778
Segment costs	(304.015.123)	(3.920.820)	(44.180.736)	(352.116.679)
Segments gross profit	120.909.362	3.698.775	22.487.962	147.096.099
Financing income	477.553	--	--	477.553
Depreciation and amortization	44.321.562	--	6.717.816	51.039.378
Segment assets	1.338.598.413	--	1.043.359.086	2.381.957.499
Property, equipment, and projects in progress	1.296.601.024	--	665.202.833	1.961.803.857
Segment liabilities	200.434.995	--	390.268.801	590.703.796

5.2 Information matching on segment reporting with the Group net profit

	31 December 2017	31 December 2016
Total profit of recorded segment	**130.511.136**	147.096.099
Undistributed amount:		
Other revenues	**5.178.307**	3.509.564
Selling and marketing expenses	**(1.667.673)**	(1.509.105)
General & administrative expenses	**(33.499.428)**	(38.121.833)
Financing revenues	**663.536**	1.047.679
Financing expenses	**(1.092.616)**	(1.140.767)
Realized gains from sale of investment in securities held for trading	**--**	6.917.327
Share of losses of equity accounted investees	**(4.161.917)**	(1.727.467)
Total of undistributed amount	**(29.879.791)**	(27.424.602)
Net profit before Zakat	**95.931.345**	116.071.497

6. Property and Equipment, Net

31 December 2017

	Lands	Buildings	Improvements on buildings
Cost:			
Balance at 1 January 2016	727.818.069	1.179.647.133	38.876.752
Additions	--	--	3.683.490
Transferred from projects under progress	--	69.109.101	--
Balance at 31 December 2016	727.818.069	1.248.756.234	42.560.242
Additions	--	--	2.258.327
Transferred from projects under progress	--	183.246.559	2.939.178
Disposals	(3.146.750)	--	--
Balance at 31 December 2017	**724.671.319**	**1.432.002.793**	**47.757.747**
Accumulated depreciation:			
Balance at 1 January	--	401.354.649	18.047.265
Charged for the year	--	29.387.739	5.834.060
Balance at 31 December 2016	--	430.742.388	23.881.325
Charged for the year	--	34.462.788	5.983.378
Depreciation of disposals	--	--	--
Balance at 31 December 2017	**--**	**465.205.176**	**29.864.703**
Net Book Value			
31 December 2017	**724.671.319**	**966.797.617**	**17.893.044**
31 December 2016	727.818.069	818.013.846	18.678.917
1 January 2016	727.818.069	778.292.485	20.829.487

31 December 2017

Furniture	Vehicles	Devices and equipment	Elevators and central air conditioning	Total
239.217.556	8.087.545	51.559.917	34.526.501	2.279.733.473
4.752.943	--	7.829.084	--	16.265.517
4.724.215	--	--	--	73.833.316
248.694.714	8.087.545	59.389.001	34.526.501	2.369.832.306
1.834.480	193.542	8.690.396	8.150.000	21.126.745
36.963.823	--	4.471.318	27.639.477	255.260.355
--	(57.500)	(13.418.858)	--	(16.623.108)
287.493.017	**8.223.587**	**59.131.857**	**70.315.978**	**2.629.596.298**
165.845.426	7.488.516	18.631.694	26.062.575	637.430.125
11.353.704	325.006	7.831.318	402.809	55.134.636
177.199.130	7.813.522	26.463.012	26.465.384	692.564.761
12.626.685	106.113	8.528.428	2.358.353	64.065.745
--	(30.050)	(13.314.991)	--	(13.345.041)
189.825.815	**7.889.585**	**21.676.449**	**28.823.737**	**743.285.465**
97.667.202	**334.002**	**37.455.408**	**41.492.241**	**1.886.310.833**
71.495.584	274.023	32.925.989	8.061.117	1.677.267.545
73.372.130	599.029	32.928.223	8.463.925	1.642.303.348

6. Property and Equipment, Net (Continued)

Capital commitments

During the year ended 31 December 2017, the Group entered into contracts for the purchase of property, plant and equipment amounting to SAR 273.5 million (year ended 31 December 2016, SAR 440 million) relating to contracts for the construction of Al Safarat district hotel, Darraq project (Phase III, IV and V) Jubail Hotel, expansion of Makarem Riyadh Hotel, and improvements of Makarem Ajyad Makkah.

Depreciation charged for the year ended 31 December as follows:

	31 December 2017	31 December 2016
Cost of revenues (Note 18)	**60.438.397**	51.442.187
General and administrative expenses (Note 19)	**3.627.348**	3.692.449
	64.065.745	55.134.636

7. Projects in Progress

Summary of the movement of provision for doubtful debts as at 31 December is as follows:

	31 December 2017	31 December 2016	1 January 2016
Balance at 1 January	**375.977.222**	216.779.541	180.527.383
Additions during the year	**262.838.862**	235.518.729	141.328.882
Transferred to property and equipment (Note 6)	**(255.260.355)**	(73.833.316)	(105.076.724)
Amortization	**--**	(2.487.732)	--
Balance at 31 December	**383.555.729**	375.977.222	216.779.541

As at 31 December 2017, projects in progress represent mainly Darraq Project (Phase III and IV) in which their total cost until that date amounted to SR 61 million (2016: SR 157 million). Phase III of the project is expected to be completed in the first half of 2018 in addition to the renovation project of Alnakheel village amounting to SR 8.5 million (2016: SR 51.7 million). Moreover, Al Safarat district hotel project amounted to SR 220 million (2016: SR 63 million).

8. Investments in equity accounted investees

	%	Initial balance	Additions	(Losses) / income during the year
1 January 2016				
Saudi Hotel Services Company	70%	42.183.719	--	2.808.140
Saudi Hospitality Heritage Company	25%	--	15.937.500	--
Makarim Al Ma'arifa Hospitality Co.	50%	10.700.000	--	--
Al Madinah Hotels Company Limited	50%	5.757.056	--	--
Media Marketing Services Company	25%	500.000	--	--
		59.140.775	15.937.500	2.808.140
31 December 2016				
Saudi Hospitality Heritage Company	25%	15.937.500	--	--
Makarim Al Ma'arifa Hospitality Co.	50%	10.700.000	--	(843.398)
Al Madinah Hotels Company Limited	50%	5.026.358	--	(884.069)
Media Marketing Services Company	25%	500.000	--	--
		32.163.858	--	(1.727.467)
31 December 2017				
Saudi Hospitality Heritage Company	25%	**15.937.500**	**--**	**(3.845.020)**
Makarim Al Ma'arifa Hospitality Co.	50%	**9.856.602**	**--**	**(316.897)**
Al Madinah Hotels Company Limited	50%	**4.142.289**	**--**	**--**
Media Marketing Services Company	25%	**500.000**	**--**	**--**
		30.436.391	**--**	**(4.161.917)**

Transferred to a subsidiaries	Group's share in unrealized losses	Dividends	Closing balance
(43.191.859)	--	(1.800.000)	--
--	--	--	15.937.500
--	--	--	10.700.000
--	(730.698)	--	5.026.358
--	--	--	500.000
(43.191.859)	(730.698)	(1.800.000)	32.163.858
--	--	--	15.937.500
--	--	--	9.856.602
--	--	--	4.142.289
--	--	--	500.000
--	--	--	30.436.391
--	**--**	**--**	**12.092.481**
--	**--**	**--**	**9.539.705**
--	**--**	**--**	**4.142.289**
--	**--**	**--**	**500.000**
--	**--**	**--**	**26.274.475**

9. Inventories

	31 December 2017	31 December 2016	1 January 2016
Operation supplies	**6.047.033**	9.394.566	2.771.064
Linens and furnishings	**5.377.249**	4.946.064	7.054.773
Accessories and silverware	**3.761.364**	4.346.500	6.655.055
Kitchen tools and equipment	**3.319.520**	3.097.612	4.650.128
Foods and beverages	**2.694.332**	2.444.781	2.645.145
Spare parts	**2.185.788**	2.057.009	3.796.680
Stationery and prints	**425.063**	610.957	1.273.696
	23.810.349	26.897.489	28.846.541
Less: provision for obsolete and slow-moving inventories	**(11.909)**	(300.754)	(533.942)
	23.798.440	26.596.735	28.312.599

Summary of the movement in the provision for obsolete and slow-moving inventories is as follows:

	31 December 2017	31 December 2016	1 January 2016
Balance at 1 January	**300.754**	533.942	1.016.531
Provided during the year (Note 18)	**905.510**	610.000	1.249.558
Write-offs	**(1.194.355)**	(843.188)	(1.732.147)
Balance at 31 December	**11.909**	300.754	533.942

10. Trade Receivables

	31 December 2017	31 December 2016	1 January 2016
Trade receivables	**101.565.205**	83.976.921	90.734.721
Less: provision for doubtful debts	**(17.251.813)**	(17.229.912)	(18.487.410)
	84.313.392	66.747.009	72.247.311

Summary of the movement in the provision for doubtful debts as at 31 December is as follows

	31 December 2017	31 December 2016	1 January 2016
Balance at 1 January	**17.229.912**	18.487.410	10.613.996
Provided during the year (note -19)	**1.294.052**	1.478.478	8,510,791
Reversal of provisions	**(973.222)**	(2.511.957)	--
Write-off bad debts	**(298.929)**	(224,019)	(637.377)
Balance at 31 December	**17.251.813**	17.229.912	18.487.410

The details of calculating the provision for doubtful debts is as follows:

		Late and not impaired debts					
	Total	0 – 60 days	61 – 90 days	91 – 365 days	1 – 2 years	2 – 3 years	More than 3 years
Provision							
2017	**17.251.813**	**169.251**	**315.448**	**1.509.224**	**1.805.030**	**2.914.198**	**10.538.662**
2016	17.229.912	169.037	315.049	1.507.308	1.802.738	2.910.498	10.525.282
Trade receivables							
2017	**101.565.205**	**44.400.362**	**9.385.812**	**19.406.248**	**6.922.260**	**5.895.646**	**15.554.877**
2016	83.976.921	32.449.886	7.245.433	13.960.752	10.450.940	5.402.848	14.467.062

11. Related Parties

During its ordinary course of business, the Group transacts with the related parties mentioned hereunder. 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:

11.1 Due from related parties

	Relation	Nature of transactions
Umm AlQura Makarim Hotel	Sister company	System and administrative fees
Makarim Al Marifa Company	Sister company	Technical fees
Al Jazira Badr	Sister company	System and administrative fees
Saudi Company for Heritage Hospitality	Associate company	Technical fees
Makarim Mina Hotel	Sister company	System and administrative fees
Makarim ALBait Hotel	Sister company	System and administrative fees
Aseela Investment Company	Sister company	Lease

11.2 Due from related parties

	Relation	Nature of transactions
Al Madinah Limited Company LLC	Associate company	Payment on behalf
Al Yasmeen complex	Sister company	System and administrative fees
Andalusia Residence Complex	Sister company	System and administrative fees
Al Rawdah Residence Complex	Sister company	System and administrative fees
Maather compound	Sister company	System and administrative fees
Makarim ALBait Hotel	Sister company	System and administrative fees

Transactions amount		Balance		
31 December 2017	31 December 2016	31 December 2017	31 December 2016	1 January 2016
1.730.442	10.305.666	**225.752**	2.568.033	78.743
1.024.330	1.090.109	**20.554.162**	3.004.581	891.781
586.057	1.147.860	**480.733**	978.305	868.171
909.234	1.958.617	**167.084**	286.846	295.904
260.000	--	**266.892**	--	--
931.023	--	**63.129**	--	--
400.000	400.000	**--**	--	--
		21.757.752	6.837.765	2.134.599

Transactions amount		Balance		
31 December 2017	31 December 2016	31 December 2017	31 December 2016	1 January 2016
895.959	1.825.027	**13.327.063**	13.327.063	2.960.235
1.786.389	--	**1.786.389**	--	--
988.023	659.815	**1.330.281**	256.986	--
1.850.927	545.517	**158.331**	125.550	545.518
715.840	862.460	**84.084**	1.607.549	2.273.114
--	2.962.225	**--**	2.847.223	4.107.424
		16.686.148	18.164.371	9.886.291

The above balances are settled in cash within one year from the date of the report. No expense has been recognized in the present or prior year for bad or doubtful debts relating to amounts due from related parties.

11.3 Transactions with top management staff

	31 December 2017	31 December 2016
Employees' short-term benefits	**4.941.356**	4.777.331
employees' end of service benefits	**609.417**	506.786
	5.550.773	5.284.117

12. Prepayments and other current assets

	31 December 2017	31 December 2016	1 January 2016
Real estate contributions	**5.383.841**	5.383.841	5.383.841
Advance rents	**4.504.178**	4.445.939	4.099.634
Advance insurance	**3.517.700**	2.854.100	2.844.519
Staff advances and deposits	**2.174.060**	1.436.353	2.178.632
Staff loans	**666.500**	1.252.831	1.429.421
Payments to suppliers	**213.162**	8.468.567	4.061.484
Other current assets	**3.405.227**	3.290.523	1.408.923
	19.864.668	27.132.154	21.406.454

13. Cash and cash equivalents

	31 December 2017	31 December 2016	1 January 2016
Short-term deposits	**100.042.457**	100.425.585	115.825.331
Bank balances	**52.645.040**	87.570.257	93.870.651
Cash on hand	**519.400**	464.200	484.100
	153.206.897	188.460.042	210.180.082

Short-term deposits represent Murabaha deposits with commercial banks at an average yield of 1.2 %. The average maturity of those deposits ranges between 30 to 90 days.

14. Loans

	31 December 2017	31 December 2016	1 January 2016
Non-current liabilities			
Secured loan	**432.258.650**	283.392.860	188.923.680
Current liabilities			
Secured loan	**37.491.064**	31.500.000	9.294.281
	469.749.714	314.892.860	198.217.961

Table of payment terms and conditions

The terms and conditions of existing loans are as follows:

	Currency	Rate	Nominal value	Book value	Maturity year
Balance at 1 January				314.892.860	
Repayment during the year:					
Secured loan	SR	SAIBOR + agreed interest rate	318.900.000	272.098.471	2024م
Payment:					
Local commercial banks	SR	SAIBOR + agreed interest rate	(117.241.618)	(117.241.618)	--
Balance at 31 December 2017				**469.749.714**	

The Group has signed long-term financing agreements to obtain financing in the form of financing, forward sale and Murabaha, with a total value of SR 771.9 million (2016: SR 371.9 million) at variable Murabaha rates. This finance is secured by promissory note issued for the entire amount of facilities with the local commercial banks as beneficiaries and waiving the proceeds of Darraq rentals (Phase II and III) with an annual value of SR 42.6 million along with the letter of undertaking to waive proceeds of the contracts for which the bank issues final letters of guarantee and /or letters of guarantee - advance payment.

15. Provision for employees' end of service benefits

	31 December 2017	31 December 2016
Interest expenses in profit or loss, net		
Cost of the current service	**3.843.871**	8.369.259
Interest cost	**1.849.396**	1.828.164
Benefit expenses, net	**5.693.267**	10.197.423

Movement for employees' end of service benefits provision included financial position statement is as follows:

Balance in 1 January 2016	**50.807.190**
Interest cost	1.828.164
Cost of the current service	8.369.259
Actuarial losses	1.588.111
Paid interest	(7.035.677)
Balance in 31 December 2016	**55.557.047**
Interest cost	1.849.396
Cost of the current service	3.843.871
Actuarial losses	(3.749.477)
Paid interest	(3.317.901)
Balance in 31 December 2017	**54.182.936**

The important actuarial assumptions used to determine employees' end of service benefits were as follows:

	31 December 2017	31 December 2016	1 January 2016
Discount rate	**2.9%**	3.35%	3.5%
Salary increase rate	**3%**	3%	3%

The table below shows the sensitivity analysis of the assumptions of change in the rate of salary increase for the liabilities of employees' end of service benefits as at 31 December 2017 and 2016, and 1 January 2016:

Assumptions	**Salaries**	
	Increase of 1 % Saudi Riyal	Decrease of 1 % Saudi Riyal
End of service benefits as at 31 December 2017	54.724.765	53.641.107
End of service benefits as at 31 December 2016	56.112.617	55.001.477
end of service benefits as at 1 January 2016	51.315.262	50.299.118

The sensitivity analysis above was performed according to the method of determining the effect on end of service benefits because of reasonable changes in the main assumptions occurred at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption with all other assumptions remaining constant. Such analysis may not represent the actual change in the end of service benefits, since it is unlikely to change the assumptions away from each other.

16. Accrued expenses and other current liabilities

	31 December 2017	31 December 2016	1 January 2016
Revenue received in advance	**58.403.467**	49.242.639	32.936.766
Performance bond retentions	**21.526.674**	18.589.072	18.264.783
Accrued staff salaries and benefits	**21.884.561**	24.178.957	23.257.237
Due to governmental bodies	**14.535.138**	6.047.540	9.186.651
Accrued rentals	**12.788.034**	7.409.950	8.948.616
Management fees due to international operating companies	**8.349.196**	4.795.612	2.137.610
Accrued services expenses	**3.531.995**	3.008.119	2.226.096
Others	**4.148.646**	2.174.413	2.940.051
	145.167.711	115.446.302	99.897.810

17. Zakat status

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

Dur Hospitality Company has finalized its Zakat status with the General Authority of Zakat and Tax (GAZT) for the years up to and including 31 December 2009, filed its Zakat returns for all years up to 2016 and paid the Zakat payable accordingly. However, the Company is still waiting to get the final assessments from the GAZT.

Zakat base

Zakat is calculated for the year ended 31 December 2017 using the Zakat base as follows:

	31 December 2017	31 December 2016
Net book income adjusted as follows:	**95.931.345**	116.071.497
Provisions during the year	**2.392.866**	8.695.420
Profits of subsidiaries	**(29.134.370)**	(31.266.889)
Zakat base (a)	**69.189.841**	93.500.028
Add:		
Share capital	**1.000.000.000**	1.000.000.000
Reserves	**643.002.490**	643.002.490
Retained earnings	**143.983.184**	147.086.755
Long term loans	**314.892.860**	314.892.860
Dividends payable	**45.301.426**	47.387.944
Provisions	**42.532.990**	49.020.584
	2.258.902.791	2.294.890.661
Less:		
Property and equipment	**(1.454.516.711)**	(1.293.666.818)
Projects in progress	**(373.870.623)**	(321.843.747)
Dividends	**(86.800.000)**	(75.978.544)
Investments	**(480.980.385)**	(485.071.345)
	(2.396.167.719)	2,176,560,454)
Zakat base (b)	**(137.264.928)**	118.330.207
Zakat base, greater of (a) or (b)	**69.189.841**	118.330.207
Zakat charge at 2.5%	**1.729.746**	2.958.255

Zakat provision movement for the year ended 31 December is as follows:

	31 December 2017	31 December 2016
January 1	**17.917.222**	17.343.025
Provided during the year	**1.788.496**	3.003.255
Zakat transferred from subsidiaries	**3.276.624**	1.980.656
Repayment during the year	**(7.864.480)**	(4.409.714)
December 31	**15.117.862**	17.917.222

18. Cost of revenue

	31 December 2017	31 December 2016
Salaries and related costs	**137.219.998**	142.487.548
Depreciation (Note 6)	**60.438.397**	51.442.187
Foods and beverages	**38.503.209**	39.155.987
Operational supplies	**31.891.958**	32.169.125
Telephone, Internet and utilities	**20.534.120**	23.555.414
Services and operating fees	**15.498.222**	16.727.957
Rents	**14.346.914**	12.483.128
Promotional activities	**13.637.379**	10.899.948
Maintenance and repair	**10.809.497**	11.161.932
Commissions to travel agencies and credit cards	**4.606.778**	4.209.959
Insurance	**1.651.095**	1.442.937
Security and guard	**982.118**	1.281.986
Provision for slow moving inventories (Note 9)	**905.510**	610.000
Training	**419.100**	794.128
Others	**1.648.319**	3.694.443
	353.092.614	352.116.679

19. General and administrative expenses

	31 December 2017	31 December 2016
Salaries and related costs	**18.301.095**	19.958.440
Depreciation (Note 6)	**3.627.348**	3.692.449
Directors and executive committees Remuneration	**2.350.000**	1.800.000
Subscriptions	**2.218.061**	1.916.355
Professional and consultancy fees	**1.871.153**	2.940.603
Hospitality	**1.736.247**	1.035.145
Provision for doubtful debts (Note 10)	**1.294.052**	1.478.478
Insurance	**509.213**	375.566
Telephone, Internet and utilities	**408.696**	395.360
Maintenance and cleaning	**173.775**	229.311
Entertainment expenses	**120.000**	120.000
Others	**889.788**	4.180.126
	33.499.428	38.121.833

20. Other income

	31 December 2017	31 December 2016
Gains from sale of property and equipment	**3.079.388**	--
Reversal of provisions (Note 10)	**973.222**	2.511.957
Rent for office spaces	**620.000**	478.943
Others	**505.697**	518.664
	5.178.307	3.509.564

21. Reserves

21.1 Statutory reserve

In accordance with its Bylaws and the former Saudi Companies, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital

21.2 Contractual reserve

In accordance with the Company's Bylaw, the Company allocates 5% of its annual net income to a contractual reserve. The Company may decide to stop this allocation when the reserve reaches 10% of the share capital under the Company's Bylaw.

22. Capital management

The Group's policy represents a strong capital base in order to acquire investor, creditor and market confidence as well as to ensure future business development.

The Group monitors capital through the ratio of " net adjusted debt" to "adjusted equity". accordingly, net adjusted debt is determined as loans and payables due to related parties (as shown in the statement of financial position) less cash and cash equivalents. Adjusted property rights consist of all components of equity.

	31 December 2017	31 December 2016
Loans	**469.749.714**	314.892.860
Trade payables	**34.644.795**	21.338.692
Due to related parties	**16.686.148**	18.164.371
	521.080.657	354.395.923
Less: cash and cash equivalents	**(153.206.897)**	(188.460.042)
Net debt	**367.873.760**	165.935.881
Total equity	**1.825.231.594**	1.815.751.067
Percent of net adjusted debt to equity adjusted	**20٪**	**9٪**

23. Financial instruments

Policies and objectives of financial instruments risk management

The Group is subject to various financial risks because of its activities including: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of developments in financial markets and reduces the potential negative impact on the Group's financial performance.

The top management is responsible for risk management. carried on the consolidated balance sheet consist of cash and cash equivalents, investments and trade receivables, due from / to related parties, prepayments, other current assets, murabaha financing, trade payables, accrued expenses and other current liabilities. The specific methods of recognition used in the accounting policies for each item are disclosed. Financial assets and liabilities are offset and included net in the consolidated statement of financial position when there is a legally enforceable right to offset the amounts recorded or when the Group has an intention to settle on a net basis or to demonstrate the asset and settle the liability simultaneously.

Market risk

Market risk represents due to changes in market price such as foreign exchange rates, interest rates and equity prices that affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk within acceptable limits, as well as improving returns.

Currency risk

Currency risk is the risk that the value of a financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Since all significant transactions of the Group are principally in Saudi Riyal and US Dollars. The Saudi Riyal is pegged to the US Dollar.

The management controls currency fluctuations closely and continuously. According to its experience and market reaction, the management does not believe it is necessary to hedge against foreign exchange risk as most foreign exchange risk is relatively limited in the medium term.

Interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risks arise mainly from bank loans. The Group manages its financing costs by improving available liquidity and reducing borrowing.

Credit risk

Credit risk is the risk that the counterparty will fail to meet its obligations under financial instruments or customer contracts, resulting in a financial loss. The Group is exposed to credit risk from cash and cash equivalents, receivables and due from related parties.

	31 December 2017	31 December 2016	1 January 2016
Cash and cash equivalents	**153.206.897**	188.460.042	210.180.082
Trade receivables	**84.313.392**	66.747.009	72.247.311
Due from related parties	**21.757.752**	6.837.765	2.134.599
	259.278.041	262.044.816	284.561.992

Trade receivables

Credit risk is managed for customers in accordance with the Group's policy as well as the procedures and controls of the credit risk management for customers. The credit quality of the customers is assessed on the comprehensive credit ratings as well as the individual credit limits determined in accordance with this valuation. The Group measures trade receivables after deducting the provision for doubtful debts. The Group uses a probability scheme to calculate the provision for doubtful debts

More than 36% of the group's customers are companies. The impairment loss for these customers was recognized at SR 3.381.588

Upon monitoring credit risk to customers, customers are grouped according to their creditworthiness, including whether they are individuals or companies, their geographic location, industry, date of dealing with the Group and previous financial difficulties. The Group has created provision for impairment represents its estimate of losses incurred in respect of trade receivables and other (Note 10).

23. Financial instruments (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments through following-up expected collection schedules of trade receivables and banks facilities available for the Group when due.

The Group aims to maintain a balance between the continuity and flexibility of financing through the use of bank overdrafts and bank loans

The following table summarizes the maturity of the Group's financial liabilities according to undiscounted contractual payments:

31 December 2017	3 – 12 months	1 – 5 years	Total
Loans	37.491.064	432.258.650	469.749.714
Trade receivables	34.644.795	-	34.644.795
Due to related parties	16.686.148	-	16.686.148
	88.822.007	432.258.650	521.080.657

31 December 2016	3 – 12 months	1 – 5 years	Total
Loans	31.500.000	283.392.860	314.892.860
Trade receivables	21.338.692	-	21.338.692
Due to related parties	18.164.371	-	18.164.371
	71.003.063	283.392.860	354.395.923

1 January 2016	3 – 12 months	1 – 5 years	Total
Loans	9.294.281	188.923.680	198.217.961
Trade receivables	14.770.828	--	14.770.828
Due to related parties	9.886.291	--	9.886.291
	33.951.400	188.923.680	222.875.080

23. Financial instruments (Continued)

Fair value of the 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. Under this definition, it represents the assumption that the Company is continuing its business and that there is no intention or requirement to substantially curtail its business or to deal on adverse terms.

The following table shows the amounts of financial assets and financial liabilities.

Financial assets	31 December 2017	31 December 2016	1 January 2016
Available-for-sale financial assets			
Available-for-sale investments	**7.000.000**	7.000.000	46.241.691
Total available-for-sale financial assets	**7.000.000**	7.000.000	46.241.691
Financial assets carried at amortized cost			
Trade receivables	**84.313.392**	66.747.009	72.247.311
Due from related parties	**21.757.752**	6.837.765	2.134.599
Total financial assets carried at amortized cost	**106.071.144**	73.584.774	74.381.910
Total Current financial assets	**106.071.144**	73.584.774	74.381.910
Total Non-curent Financial Assets	**7.000.000**	7.000.000	46.241.691
Total Financial Assets	**113.071.144**	80.584.774	120.623.601

he available-for-sale investments represents in unlisted securities amounted SR 7.000.000 at cost less impairment due to the absence of an active market for securities.

Financial assets	31 December 2017	31 December 2016	1 January 2016
Financial liabilities carried at amortized cost			
Trade payables	**34.644.795**	21.338.692	14.770.828
Loans	**469.749.714**	314.892.860	198.217.961
Due to related parties	**16.686.148**	18.164.371	9.886.291
Total financial liabilities carried at amortized cost	**521.080.657**	354.395.923	222.875.080
Total Current financial assets	**88.822.007**	71.003.063	33.951.400
Total Non-curent Financial Assets	**432.258.650**	283.392.860	188.923.680
Total Financial Assets	**521.080.657**	**354.395.923**	**222.875.080**

he fair values of assets and liabilities measured at amortized cost are not materially different from their fair values.

24. The transition to the international financial reporting standards (IFRS):

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as shown in (Note 2). The Group has adjusted the amounts previously recognized in the consolidated financial statements prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) (the previous accounting standards). The following tables and notes show the impact on the financial position and financial performance of the Group as a result of the transition from the applying of previous accounting standards to the application of IFRS.

24.1 Adjustment of financial position and equity statement as at 1 January 2016 (the date of transition to IFRS).

	Balances according to previous accounting standards	Impact of the transition to IFRS	IFRS
Assets			
Property and equipment, net	1.648.075.221	(5.771.873)	1.642.303.348
Projects in progress	216.779.541	--	216.779.541
Investments in equity accounted investees	32.163.858	--	32.163.858
Available-for-sale investments	46.241.691	--	46.241.691
Non-current assets	1.943.260.311	(5.771.873)	1.937.488.438
Inventories	28.312.599	--	28.312.599
Trade receivables	72.247.311	--	72.247.311
Due from related parties	2.134.599	--	2.134.599
Prepayments and other current assets	21.406.454	--	21.406.454
Cash and cash equivalents	210.180.082	--	210.180.082
current assets	334.281.045	--	334.281.045
Total Assets	2.277.541.356	(5.771.873)	2.271.769.483

	Balances according to previous accounting standards	Impact of the transition to IFRS	IFRS
Equity and Liabilities			
Equity			
Share capital	1.000.000.000	--	1.000.000.000
Statutory reserve	500.000.000	--	500.000.000
Contractual reserve	143.002.490	--	143.002.490
Fair value reserve on available-for-sale investments	6.073.039	--	6.073.039
Retained earnings	147.086.755	(6.630.136)	140.456.619
Equity attributable to the Company's shareholders	1.796.162.284	(6.630.136)	1.789.532.148
Non-controlling equity	38.032.479	(84.737)	37.947.742
Total equity	1.834.194.763	(6.714.873)	1.827.479.890
Non-current liabilities			
Non-current portion of long-term loans	188.923.680	--	188.923.680
Employees' end of service benefits	49.864.190	943.000	50.807.190
Total non-current liabilities	238.787.870	943.000	239.730.870
Current liabilities			
Current portion of long-term loans	9.294.281	--	9.294.281
Trade payables	14.770.828	--	14.770.828
Due to related parties	9.886.291	--	9.886.291
Accrued expenses and other current liabilities	99.897.810	--	99.897.810
Dividend payables	53.366.488	--	53.366.488
Zakat provision	17.343.025	--	17.343.025
Total current liabilities	204.558.723	--	204.558.723
Total liabilities	443.346.593	--	444.289.593
Total liabilities and equity	2.277.541.356	(5.771.873)	2.271.769.483

24. The transition to the international financial reporting standards (IFRS): (continued)

24.2 Adjustments of financial position and equity as at 31 December 2016

	Balances according to previous accounting standards	Impact of the transition to IFRS	IFRS
Assets			
Non-current assets			
Property and equipment, net	1.683.442.227	(6.174.682)	1.677.267.545
Projects in progress	375.977.222	--	375.977.222
Investments in equity accounted investees	30.436.391	--	30.436.391
Available-for-sale investments	7.000.000	--	7.000.000
Total non-current assets	2.096.855.840	(6.174.682)	2.090.681.158
Current assets			
Inventories	26.596.735	--	26.596.735
Trade receivables	66.747.009	--	66.747.009
Due from related parties	6.837.765	--	6.837.765
Prepayments and other current assets	27.132.154	--	27.132.154
Cash and cash equivalents	188.460.042	--	188.460.042
Total current assets	315.773.705	--	315.773.705
Total Assets	2.412.629.545	(6.174.682)	2.406.454.863

	Balances according to previous accounting standards	Impact of the transition to IFRS	IFRS
Equity and Liabilities			
Equity:			
Share capital	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	143.983.184	(8.527.380)	135.455.804
Equity attributable to the Company's shareholders	1.786.985.674	(8.527.380)	1.778.458.294
Non-controlling equity	37.471.187	(178.414)	37.292.773
Total equity	1.824.456.861	(8.705.794)	1.815.751.067
Liabilities:			
Non-current liabilities			
Non-current portion of long-term loans	283.392.860	--	283.392.860
Employees' end of service benefits	53.025.935	2.531.112	55.557.047
Total non-current liabilities	336.418.795	2.531.112	338.949.907
Current liabilities			
Current portion of long-term loans	31.500.000	--	31.500.000
Trade payables	21.338.692	--	21.338.692
Due to related parties	18.164.371	--	18.164.371
Accrued expenses and other current liabilities	115.446.302	--	115.446.302
Dividend payables	47.387.302	--	47.387.302
Zakat provision	17.917.222	--	17.917.222
Total current liabilities	251.753.889	--	251.753.889
Total liabilities	588.172.684	2.531.112	590.703.796
Total liabilities and equity	2.412.629.545	(6.174.682)	2.406.454.863

24.3 Adjustment of profit or loss statement for the year ended 31 December 2016

	Previous accounting standards	Impact of the transition to IFRS	IFRS
Revenues of hospitality	424.924.485	--	424.924.485
Rental revenues	66.668.698	--	66.668.698
Administrative expenses	7.619.595	--	7.619.595
Total of revenues	499.212.778	--	499.212.778
Cost of revenues	(351.713.870)	(402.809)	(352.116.679)
Gross profit	147.498.908	(402.809)	147.096.099
Other revenues	3.509.564	--	3.509.564
Selling and marketing expenses	(1.509.105)	--	(1.509.105)
General & administrative expenses	(36.321.833)	(1.800.000)	(38.121.833)
Realized gains from sale of investment in securities held for trading	6.917.327	--	6.917.327
Share of (losses) of equity accounted investees	(1.727.467)	--	(1.727.467)
Operating income	118.367.394	(2.202.809)	116.164.585
Financing revenues	1.047.679	--	1.047.679
Financing expenses	(1.140.767)	--	(1.140.767)
Net income before Zakat	118.274.306	(2.202.809)	116.071.497
Provision for Zakat	(4.983.911)	--	(4.983.911)
Net income	113.290.395	(2.202.809)	111.087.586
Revenues attributable to:			
Company shareholders	113.696.429	(2.201.566)	111.494.863
Non-controlling equity		(1.243)	(407.277)
Net income	113.290.395	(2.202.809)	111.087.586
Earnings per share (EPS):			
Basic and diluted earnings per share (Saudi Riyal)	1.13	(0.004)	1.11

24.3 Adjustment of profit or loss statement for the year ended 31 December 2016

	Previous accounting standards	Impact of the transition to IFRS	IFRS
Net income	111.490.395	**(402.809)**	111.087.586
Other comprehensive loss			
Items to be reclassified subsequently to profit or loss			
Investments-for-sale – change in fair value	(6.073.039)	--	(6.073.039)
Items not to be reclassified subsequently to profit or loss			
Actuarial losses of reclassifying for employees' end of service benefits	--	(1.588.112)	(1.588.112)
Other comprehensive losses	(6.073.039)	(1.588.112)	(7.661.151)
Total comprehensive income	**105.417.356**	**(1.990.921)**	103.426.435
Total comprehensive income for the year attributable to:			
Company shareholders	105.823.390	(1.897.244)	103.926.146
Non-controlling equity		(93.677)	(499.711)
	105.417.356	**(1.990.921)**	103.426.435

24. The transition to the international financial reporting standards (IFRS): (Continued)

A. Employees’ end of service benefits

Employees’ end of service benefits, calculated in accordance with Saudi Organization for Certified Public Accountants, are accrued and charged according to the present value of the benefits that the employee is entitled to in the event of his or her retirement at the date of the consolidated statement of financial position. In accordance with the International Financial Reporting Standards approved by the Kingdom of Saudi Arabia, employees' end of service benefits is calculated on the basis of the actuarial assessment using the expected debt unit method.

Differences in employees' end of service benefits in accordance with generally accepted accounting standards issued by SOCPA and IFRS in Saudi Arabia on the date of the transition are recognized against retained earnings.

B. Separation of property and equipment into their main components

Under IFRS, buildings are separated into their main components for depreciation based on their average useful lives.

The differences in the carrying amounts of property and equipment in accordance with previous accounting standards and IFRS at the date of transition are recognized against retained earnings.

C. Directors' remuneration

Under IFRS, the consolidated statement of profit or loss is charged to the remuneration of directors.

D. Statement of Cash Flows

As at 1 January 2016, there were no material differences between the consolidated statement of cash flows presented in accordance with the IFRS approved in Saudi Arabia and the generally accepted accounting standards of the SOCPA.

25. Contingent liabilities

The Group has issued letters of guarantee amounting to SR 39.2 million at 31 December 2017 (2016: SR 36.8 million). These guarantees are without a cash margin.

26. Operating leases

The Group as lessee

The Group's minimum liability under non-cancellable operating leases is as follows

	2017	2016	1 January 2016
For 1 year	**15.000.000**	15.000.000	15.000.000
From 1 – 5 years	**21.000.000**	15.000.000	15.000.000
More than 5 years	**22.285.000**	22.285.000	21.000.000
	58.285.000	52.285.000	51.000.000

The Group as lessor

The Group has entered into commercial leases. The period of non-cancellable leases is one to five years. All contracts include an item that enables the Group to adjust the future rent on an annual basis in accordance with prevailing market conditions.

The Group's minimum liability under non-cancellable operating leases is as follows:

	2017	2016	1 January 2016
For 1 year	**--**	--	9.200.000
From 1 – 5 years	**21.460.000**	1.700.000	1.700.000
More than 5 years	**14.000.000**	--	--
	35.460.000	1.700.000	10.900.000

27. Approval of the consolidated financial statements

The consolidated financial statements have been approved by the Board of Directors on 10 Jumada II 1439 H (corresponding to 26 February 2018).

For inquiries, Please contact
The Investor Relations Department
T: +966 11 481 6666 Ext. 500
E: IR@dur.sa

Dur Hospitality Company
Public Shareholding Co.
Paid Capital Billion Riyals
Commercial Register: 1010010726

Dur Hospitality Co.
Diplomatic Quarter
P. O. Box 5500
Riyadh 11422, Saudi Arabia
T: +966 11 481 6666
F: +966 11 480 1666
www.dur.sa