

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Consolidated Interim Financial Statement**  
For the three month period ended 31 March 2017  
together with the  
**Independence Auditor's Report on Review**

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## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

**The Shareholders  
DUR Hospitality Company  
(A Saudi Joint Stock Company)  
Riyadh, Kingdom of Saudi Arabia**

### ***Introduction***

We have reviewed the accompanying 31 March 2017 condensed consolidated interim financial statements of **DUR Hospitality Company** ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2017;
- the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2017;
- the condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2017;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2017;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2017; and
- the notes to the condensed consolidated interim financial statements.

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

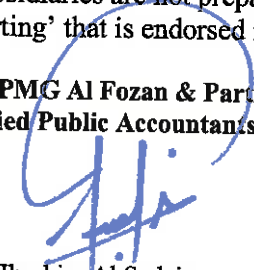
### ***Scope of review***

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

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2017 condensed consolidated interim financial statements of Dur Hospitality Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners  
Certified Public Accountants**

  
Khalil Ibrahim Al Sedais  
License No. 371

Riyadh on: 11 Sha'aban 1438H  
Corresponding to: 7 May 2017



**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Consolidated Interim statement of financial position (Un-Audited)**  
As at 31 March 2017  
(Saudi Riyals)

		31 March 2017	31 December 2016	1 January 2016
	Notes	Unaudited	Audited (Restated Note-11)	Audited (Restated Note-11)
<b>Assets</b>				
Property and equipment, net	6	1,231,350,205	1,183,658,738	1,129,392,406
Capital work in progress		394,432,336	375,977,222	216,779,541
Investment property, net	7	488,668,021	493,608,807	512,910,942
Investments in equity-accounted investees		30,436,392	30,436,391	32,163,858
Available for sale investment		7,000,000	7,000,000	46,241,691
<b>Non-Current Assets</b>		<u>2,151,886,954</u>	<u>2,090,681,158</u>	<u>1,937,488,438</u>
Inventories		25,642,487	26,596,735	28,312,599
Trade receivables		89,729,266	66,747,009	72,247,311
Due from related parties	8	3,180,803	6,837,765	2,134,599
Prepayments and other current assets		33,942,922	27,132,154	21,406,454
Cash and cash equivalents		169,117,891	188,460,042	210,180,082
<b>Current assets</b>		<u>321,613,369</u>	<u>315,773,705</u>	<u>334,281,045</u>
<b>Total assets</b>		<u>2,473,500,323</u>	<u>2,406,454,863</u>	<u>2,271,769,483</u>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital		1,000,000,000	1,000,000,000	1,000,000,000
Statutory reserve		500,000,000	500,000,000	500,000,000
Other reserve		143,002,490	143,002,490	143,002,490
Fair value reserve for available for sale investments		—	—	6,073,039
Retained earnings		160,084,273	135,455,804	140,456,619
<b>Equity attributable to owners of the Company</b>		<u>1,803,086,763</u>	<u>1,778,458,294</u>	<u>1,789,532,148</u>
Non-controlling interests		37,009,173	37,292,773	37,947,742
<b>Total equity</b>		<u>1,840,095,936</u>	<u>1,815,751,067</u>	<u>1,827,479,890</u>
<b>Non-Current Liabilities</b>				
Long term loans – non-current portion	9	329,191,926	283,392,860	188,923,680
Employee benefits		53,871,435	55,557,047	50,807,190
<b>Total Non-Current Liabilities</b>		<u>383,063,361</u>	<u>338,949,907</u>	<u>239,730,870</u>
<b>Current Liabilities</b>				
Long term loans – current portion	9	6,219,635	31,500,000	9,294,281
Trade payables		28,147,048	21,338,692	14,770,828
Due to related parties	8	17,419,579	18,164,371	9,886,291
Accrued expenses and other current liabilities		131,803,334	115,446,302	99,897,810
Dividend payable		47,374,208	47,387,302	53,366,488
Zakat provision		19,377,222	17,917,222	17,343,025
<b>Total Current Liabilities</b>		<u>250,341,026</u>	<u>251,753,889</u>	<u>204,558,723</u>
<b>Total Liabilities</b>		<u>633,404,387</u>	<u>590,703,796</u>	<u>444,289,593</u>
<b>Total equity and liabilities</b>		<u>2,473,500,323</u>	<u>2,406,454,863</u>	<u>2,271,769,483</u>

The accompanying notes from (1) to (11) form an integral part of these condensed consolidated interim financial statements.

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Consolidated Interim statement of profit or loss** (Un-Audited)  
For the three month period ended 31 March 2017  
(Saudi Riyals)

	<u>Notes</u>	<b>Three months ended 31 March 2017</b>	<b>Three months ended 31 March 2016 (Restated Note-11)</b>
Hospitality income		98,675,837	117,797,041
Rental income		18,582,996	15,428,015
Management fees		1,169,691	1,705,956
Total revenues	5	118,428,524	134,931,012
Cost of revenue		(86,252,181)	(92,746,719)
<b>Gross profit</b>		32,176,343	42,184,293
Other income		1,008,529	295,731
Selling and distribution expenses		—	(240,832)
General and administrative expenses		(7,481,935)	(9,375,942)
<b>Operating profit</b>		25,702,937	32,863,250
Finance income		401,932	136,399
<b>Profit before zakat</b>		26,104,869	32,999,649
Zakat		(1,460,000)	(1,300,507)
<b>Profit for the period</b>		24,644,869	31,699,142
<b>Profit attributable to:</b>			
Owners of the Company		24,911,008	31,399,874
Non-controlling interests		(266,139)	299,268
		24,644,869	31,699,142
<b>Earnings per share</b>			
Basic and Diluted earnings per share (SR)		0.25	0.32

The accompanying notes from (1) to (11) form an integral part of these condensed consolidated interim financial statements.

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Consolidated Interim statement of comprehensive income** (Un-Audited)  
For the three month period ended 31 March 2017  
*(Saudi Riyals)*

	<b>Three months ended 31 March 2017</b>	<b>Three months ended 31 March 2016</b>
<b>Profit for the period</b>	<b>24,644,869</b>	<b>31,699,142</b>
<b>Comprehensive loss:</b>		
<b>Items that are reclassified subsequently to profit or loss</b>		
Available for sale investments – change in fair value	--	(3,201,364)
<b>Items that are not reclassified subsequently to profit or loss</b>		
Defined benefit plan actuarial losses	<u>(300,000)</u>	<u>(397,028)</u>
<b>Comprehensive loss for the period</b>	<u>(300,000)</u>	<u>(3,598,392)</u>
<b>Total comprehensive income for the period</b>	<u><b>24,344,869</b></u>	<u><b>28,100,750</b></u>
<b>Total comprehensive income for the period</b>		
<b>Attributable to:</b>		
Owners of the Company	<b>24,628,469</b>	<b>27,854,423</b>
Non-controlling interests	<u>(283,600)</u>	<u>246,327</u>
	<u><b>24,344,869</b></u>	<u><b>28,100,750</b></u>

The accompanying notes from (1) to (11) form an integral part of these condensed consolidated interim financial statements.

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Consolidated Interim of statement of change in equity (Un-Audited)**  
For the three month period ended 31 March 2017  
(Saudi Riyals)

For the three months ended 31 March 2017

	Attributable to owners of the Company				
	Share capital	Statutory reserve	Contractual Reserve	Retained earnings	Non-controlling interests
Balance at 1 January 2017	1,000,000,000	500,000,000	143,002,490	137,353,048	37,386,450
Transition adjustments:					
Splitting of property and equipment by components	--	--	--	(401,566)	(1,243)
Defined benefits plan actuarial losses	--	--	--	(1,495,678)	(92,434)
Balance at 1 January 2017 (Restated)	1,000,000,000	500,000,000	143,002,490	135,455,804	37,292,773
Total comprehensive income for the period:					
Profit for the period	--	--	--	24,911,008	(266,139)
Comprehensive loss for the period	--	--	--	(282,539)	(17,461)
Balance at 31 March 2017	1,000,000,000	500,000,000	143,002,490	160,084,273	37,009,173
				1,803,086,763	1,815,751,067
				24,911,008	24,644,869
				(282,539)	(300,000)
				1,803,086,763	1,840,095,936

The accompanying notes from (1) to (11) form an integral part of these condensed consolidated interim financial statements.

## For the three months ended 31 March 2016

The accompanying notes from (1) to (11) form an integral part of these condensed consolidated interim financial statements.



**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Consolidated Interim of statement of cash flow (Un-Audited)**  
For the three month period ended 31 March 2017  
(Saudi Riyals)

	<u>Notes</u>	<b>Three month Period ended 31 March 2017</b>	<b>Three month Period ended 31 March 2016</b>
<b>Cash flow from operating activities</b>			
Profit for the period before zakat		26,104,869	32,999,649
<i>Adjustments for:</i>			
Depreciation	6&7	14,337,960	13,026,774
Amortization		--	621,933
Gain on sale of property and equipment		(101,830)	--
Employee benefits		1,865,865	5,327,986
Provision for doubtful debts		47,664	779,813
Provision for inventories		--	93,750
		<u>42,254,528</u>	<u>52,849,905</u>
<i>Change in:</i>			
-Trade receivables		(23,029,921)	(6,631,000)
-Prepayments and other current assets		(6,810,768)	(3,661,658)
-Inventories		954,247	6,237,064
-Due form related parties		3,656,962	(1,023,140)
-Trade payables		6,808,356	3,652,470
-Accrued expenses and other current liabilities		16,343,934	(2,303,656)
-Due to related parties		(744,792)	3,448,007
<b>Cash generated from operating activities</b>		<u>39,432,546</u>	<u>52,567,992</u>
Employee benefits paid		(3,851,474)	(1,782,095)
<b>Net cash from operating activities</b>		<u>35,581,073</u>	<u>50,785,897</u>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property and equipment		128,830	--
Purchase of property and equipment	6	(3,204,982)	(3,269,187)
Purchase of capital work in progress		(71,463,968)	(98,476,300)
Purchase of investment property	7	(901,805)	(871,805)
<b>Net cash used in investing activities</b>		<u>(75,441,925)</u>	<u>(102,617,292)</u>
<b>Cash flow from financing activities</b>			
Proceeds from long term loans		22,073,610	69,873,559
Repayment of long term loans		(1,554,909)	--
<b>Net cash from financing activities</b>		<u>20,518,701</u>	<u>69,873,559</u>
Net (decrease) / increase in cash and cash equivalents		(19,342,151)	18,042,164
Cash and cash equivalents at 1 January		188,460,042	210,180,082
<b>Cash and cash equivalents at 31 March</b>		<u>169,117,891</u>	<u>228,222,246</u>

The accompanying notes from (1) to (11) form an integral part of these condensed consolidated interim financial statements.

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Notes to the Condensed Consolidated Interim financial statement (Un-Audited)**  
For the three month period ended 31 March 2017  
(Saudi Riyals)

**1. REPORTING ENTITY**

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

The Company's activities comprise of constructing, owning, operating, managing, investing, buying, entering into partnership, renting hotels, restaurants, motels, rest stops, entertainment centres, 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 Condensed Consolidated Interim financial statements**

The Condensed Consolidated Interim 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 March 2017 are as follows:

<u>Name of the subsidiary</u>	<u>Capital</u>	<u>Shareholding %</u>
Makkah Hotels company LLC	165,600,000	99,44%
Saudi Hotel Services company	70,000,000	70%
Alnakheel for Tourist Areas Limited company	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 and Real Estate Development company	100,000	95%

The below are details of the subsidiaries and their activities:

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Notes to the Condensed Consolidated Interim financial statement (Un-Audited)**  
For the three month period ended 31 March 2017  
(Saudi Riyals)

**1. REPORTING ENTITY (CONTINUED)**

**1.2 The condensed Consolidated Interim financial statements (continued)**

**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.

**Alnakheel for Tourist Areas Limited**

Alnakheel 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.

**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 contracting 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).

**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.

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Notes to the Condensed Consolidated Interim financial statement (Un-Audited)**  
For the three month period ended 31 March 2017  
(Saudi Riyals)

**1. REPORTING ENTITY (CONTINUED)**

**1.2 The consolidated financial statements (continued)**

**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. (3/1078413) 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. (37/0096/F) dated 6 Safar 1437H.

**2. BASIS OF ACCOUNTING**

**Statement of Compliance**

These Condensed Consolidated Interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting that endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA ("IFRS"). These Condensed Consolidated Interim financial statements are the Group's first Condensed Consolidated Interim financial statements reported under International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia. Therefore, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied by the Group to prepare the current condensed Consolidated Interim financial statements. The reader must also take into account the explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group as provided in (Note -11).

Previously, the Group prepared its annual and Condensed Consolidated Interim financial statements in accordance with Generally Accepted Accounting Standards as issued by Saudi Organization for Certified Public Accountants (SOCPA). As these are the Group's first set of Condensed Consolidated Interim financial statements in accordance with IFRS, the Group's disclosures exceed the minimum requirements under IAS 34. The Group has elected to exceed the minimum disclosure requirements of IAS 34 in order to present the Group's accounting policies in accordance with IFRS and to provide certain additional disclosures.

The principal accounting policies applied in the preparation of these Condensed Consolidated Interim financial statements are set out below; these policies have been consistently applied to all years presented, unless otherwise states.

For financial periods commencing 1 January 2017, the applicable regulations require the Company to prepare and present financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA ("IFRS").

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Notes to the Condensed Consolidated Interim financial statement (Un-Audited)**  
For the three month period ended 31 March 2017  
(Saudi Riyals)

**2. BASIS OF ACCOUNTING (CONTINUED)**

**BASIS OF MEASUREMENT**

These Condensed Consolidated Interim financial statements have been prepared on the historical cost basis, except for the defined benefits plan are measured at present value of future obligations using Projected Unit Credit Method.

Furthermore, these Condensed Consolidated Interim financial statements are prepared using the accrual basis of accounting and the going concern concept.

The operation results of the three month period ended 31 March 2017 may not represent an accurate indicator for the annual results of the group.

**FUNCTIONAL AND PRESENTATION CURRENCY**

These Condensed Consolidated Interim financial statements are presented in Saudi Riyals ("SR"), which is the Group's functional currency and presentation currency.

**USE OF JUDGEMENT AND ESTIMATES**

The estimates at date of transition to IFRS and as at the end of earliest reporting period presented are consistent with those made for the same dates in accordance with SOCPA (after adjustments to reflect any differences in accounting policies) apart from post-employment benefits where application of SOCPA did not require estimation.

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at the date of transition to IFRS and as at the end of earliest reporting period presented.

The preparation of the Group's Condensed Consolidated Interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

*- Provision for impairment of accounts receivable*

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts, which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

*- Defined benefit obligations*

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

**DUR HOSPITALITY COMPANY**  
(A Saudi Joint Stock Company)  
**Notes to the Condensed Consolidated Interim financial statement (Un-Audited)**  
For the three month period ended 31 March 2017  
(Saudi Riyals)

**2. BASIS OF ACCOUNTING (CONTINUED)**

**USE OF JUDGEMENT AND ESTIMATES (Continuing)**

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and are based on expected future inflation rates for the respective countries.

*- Property and equipment: Useful lives of property and equipment*

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

**3. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet applied to issuance of the Group's condensed Consolidated Interim financial statements are listed below. This listing of standards issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. Following are standards issued but not yet effective.

*IFRS 9 - Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group has started assessment of the potential impact of the adoption of IFRS 9 on its consolidated financial statements.

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**3. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

*IFRS 15 Revenue from contracts with customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

*IFRS 16 Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The Group has applied the following accounting policies in preparing the opening IFRS condensed Consolidated interim statement of financial position at 1 January 2016 for the purposes of the transition to IFRSs, unless otherwise indicated. The significant accounting policies adopted are as follows:

**a. Basis of consolidation**

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

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement(s) with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

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

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**4. SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of consolidation (continued)**

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

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

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- De-recognizes the assets (including goodwill) and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interest;
- De-recognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in condensed interim consolidated statement of profit or loss;

Reclassifies the Group's share of components previously recognized in condensed Consolidated Interim statement of other comprehensive income to condensed Consolidated Interim statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Investment in an associate**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

The Condensed Consolidated Interim statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in Condensed Consolidated Interim statement of other comprehensive income of those investees is presented as part of the Group's Condensed Consolidated Interim statement of other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of Condensed Consolidated Interim statement of profit or loss of an associate is shown separately on the face of the Condensed Consolidated Interim statement of profit or loss.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a. Basis of consolidation (continued)**

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as part of 'Share of profit of an associate' in the Condensed Consolidated Interim statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the Condensed Consolidated Interim statement of profit or loss.

**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 Condensed Consolidated Interim statement of profit or loss currently.

**c. Revenue**

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.

- Income from hospitality services

Primarily derived from hotel operations, including the rental of rooms and food and beverage sales from owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied and food and beverages are sold.

- Management fees

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

- Investment property rental income

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

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. Employee benefits**

The Group operates a defined benefit plan for employees in accordance with Saudi Labor and Workman Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised in the condensed Consolidated Interim statement of financial position with a corresponding credit to retained earnings through Condensed Consolidated Interim statement of other comprehensive income in the period in which they occur.

Remeasurements are not reclassified to condensed Consolidated Interim statement of profit or loss in subsequent periods.

Past service cost are recognised in condensed Consolidated Interim statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Group recognises related restructuring costs.

**e. Zakat**

The Company and its subsidiaries are subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia.

Zakat is charged to the Condensed Consolidated Interim statement of profit or loss.

**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**

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in Condensed Consolidated Interim statement of profit or loss.

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

**Subsequent expenditure**

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

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g. Property and equipment (continued)**

Depreciation

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

The estimated useful lives of property and equipment for current and comparative periods are as follows:

• Buildings	70-75 years
• Leasehold improvement	5 years or lease contract, whichever is less
• Furniture	10 years
• Vehicles	4 years
• Devices and equipment	5 years
• Elevators and central air conditioning	40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**h. Capital work-in-progress**

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

**i. Investment property**

On initial recognition, the investment property is measured at cost, subsequently measured at fair value less accumulated depreciation and impairment loss, if any. Cost less estimated residual value depreciated by using straight line method over the estimated useful life of assets.

**j. Financial instruments – initial recognition and subsequent measurement derecognition**

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

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available for sale financial assets, or as derivate designated as hedging instruments in an effective hedge, as appropriate.

All financial assets other than financial assets at fair value through profit or loss, are initially measured at fair value plus any directly attributable transaction costs. Transaction costs for financial assets at fair value through profit or loss are recognised in condensed Consolidated Interim statement of profit or loss as incurred.

The group has the following financial assets: Available for sale investments, cash and cash equivalents, accounts receivable, due from a related party, held to maturity investments.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**j. Financial instruments – initial recognition and subsequent measurement derecognition (continued)**

*Subsequent measurement*

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effective interest rate amortization is included in finance income in the Condensed Consolidated Interim statement of profit or loss. The losses arising from impairment are recognized in the Condensed Consolidated Interim statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

*Available for sale investments*

Available for sale investments include equity and debt securities. Equity investments classified as an Available For Sale (AFS) are those neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale investments are subsequently measured at fair value with unrealised gains or losses recognised in Condensed Consolidated Interim statement of other comprehensive income in the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, at which time, the cumulative loss is reclassified to the Condensed Consolidated Interim statement of profit or loss in finance costs and removed from the AFS reserve. Interest income on available for sale debt securities is calculated using the effective interest method and is recognised in Condensed Consolidated Interim statement of profit or loss. The Group evaluates its 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 changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to Condensed Consolidated Interim statement of profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Condensed Consolidated Interim statement of profit or loss.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***j. Financial instruments – initial recognition and subsequent measurement derecognition (continued)***

*Held to maturity financial assets*

Investments with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with income recognised on an effective yield basis. The Group considers the credit risk of counterparties in its assessment of whether such financial instruments are impaired.

Held to maturity investments include placements with banks and other short-term highly liquid investments with original maturities of three months or more but not more than one year from the purchase date.

The Group does not have any financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

*Derecognition*

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

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (a) the Group has transferred substantially all the risks and rewards of the asset, or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Impairment of financial assets*

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

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

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in Condensed Consolidated Interim statement of profit or loss. Interest income (recorded as finance income in the Condensed Consolidated Interim statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to general and administrative in the Condensed Consolidated Interim statement of profit or loss.

*Financial assets classified as available for sale (AFS)*

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

*Financial liabilities*

*Recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs. Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are recognized in Condensed Consolidated Interim statement of profit or loss as incurred. The Group's financial liabilities include loans and notes payable, accounts payable, due to related parties.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***k. Cash and cash equivalents***

For the purposes of the Condensed Consolidated Interim Statement of Cash Flow, cash and cash equivalents includes bank balances and deposits with original maturities of three months or less, and include bank overdraft which represent part form group management for the cash and may be fluctuate from overdraft balances to positive balances. Bank overdraft classified (there is no right for settlement) as current liabilities.

***l. Trade receivable***

Trade receivable are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the Condensed Consolidated Interim statement of profit or loss and reported under "General and administrative expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the Condensed Consolidated Interim statement of profit or loss.

***m. Statutory reserve***

In accordance with the Company's bylaws and the previous Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies that came into effect on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital. The Company is currently in the process of amending bylaws as described in (note-1).

This reserve is currently not available for distribution to the shareholders of the Company

***n. Impairment Non-financial assets***

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***n. Impairment Non-financial assets (continued)***

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***o. Provisions***

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Provisions are determined by discounting the expected future cash flows at a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

***p. Leases***

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

***Group as a lessee***

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

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the Condensed Consolidated Interim statement of profit or loss on a straight-line basis over the lease term.

***Group as a lessor***

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



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**q. Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

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

**r. Dividend**

Dividends are recorded in the period in which they are approved by the shareholders.

**s. Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***1. Segment reporting***

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

**5. OPERATING SEGMENTS**

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

The following summary describes the operations of each reportable segment.

<b><u>Reportable</u></b>	<b><u>Operations</u></b>
Hospitality	Represents hotels owned by the Group and revenues generated from them whether these hotels are operated by the Group or by an external operator independent of the Group.
Property management	Represents properties owned by the Group which are utilized by or leased to others and this primarily comprises of residential compounds and commercial properties.
Management fees	Represents managing and operating of hotels and properties, which are not owned by the Group.

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	Reported segment		
	Hospitality	Management fees	Property management
	2016	2016	2016
Segment revenues	117,797,041	1,705,956	15,428,015
Segments costs	(76,955,478)	(1,437,752)	(14,353,489)
Segment gross profit	40,841,563	268,204	1,074,526
Finance income	136,399	--	--
Depreciation and amortization	9,874,563	--	3,152,669
			136,399
			13,026,774
Segment assets	647,208,144		1,719,569,380
Property and equipment, capital work in progress and investment property	948,688,912		979,002,640
Segment liabilities	159,046,835	--	371,327,331
			530,374,166

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**5. OPERATING SEGMENTS (CONTINUED)**

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

	<u>2017</u>	<u>2016</u>
Profit from reported segment	<b>32,176,343</b>	42,184,293
<b>Un allocated amount:</b>		
Other income	<b>1,008,529</b>	295,731
Selling and distribution expenses	—	(240,832)
General and Administrative expenses	<b>(7,481,935)</b>	(9,375,942)
Finance income	<b>401,932</b>	136,399
<b>Total Un allocated amount</b>	<b>(6,071,475)</b>	(9,184,644)
<b>Consolidated profit before zakat</b>	<b>26,104,869</b>	32,999,649

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**6. PROPERTY AND EQUIPMENT, Net**

**31 March 2017**

	<u>Lands</u>	<u>Buildings</u>	<u>Improvements on buildings</u>	<u>Furniture</u>	<u>Vehicles</u>	<u>Devices and equipment</u>	<u>Elevator and Central air Conditioning</u>	<u>Total</u>
<b><u>Cost:</u></b>								
Balance at 1 January	635,548,742	697,311,073	41,552,444	208,138,769	4,753,533	38,008,711	9,411,000	1,634,724,273
Additions	--	--	3,740	637,469	--	2,563,773	--	3,204,982
Transferred from capital work progress	--	24,422,242	2,939,178	22,793,439	--	2,853,995	--	53,008,854
Disposals	--	--	--	--	(57,500)	(100,000)	--	(157,500)
<b>Balance at 31 March</b>	<b>635,548,742</b>	<b>721,733,316</b>	<b>44,495,361</b>	<b>231,569,677</b>	<b>4,696,033</b>	<b>43,326,480</b>	<b>9,411,000</b>	<b>1,690,780,609</b>
<b><u>Accumulated depreciation:</u></b>								
Balance at 1 January	--	239,505,637	23,541,914	159,691,146	4,479,510	17,550,123	6,297,206	451,065,535
Charged for the year	--	3,633,539	1,449,926	1,722,576	36,173	1,641,273	11,881	8,495,369
Depreciation of disposals	--	--	--	--	(30,500)	(100,000)	--	(130,500)
<b>Balance at 31 December</b>	<b>--</b>	<b>243,139,175</b>	<b>24,991,840</b>	<b>161,413,722</b>	<b>4,485,183</b>	<b>19,091,396</b>	<b>6,309,087</b>	<b>459,430,404</b>
<b><u>Net Book Value:</u></b>								
<b>31 March 2017</b>	<b>635,548,742</b>	<b>478,594,140</b>	<b>19,503,521</b>	<b>70,155,955</b>	<b>210,850</b>	<b>24,235,084</b>	<b>3,101,913</b>	<b>1,231,350,205</b>
31 December 2016	635,548,742	457,805,437	18,010,530	48,447,623	274,023	20,458,588	3,113,794	1,183,658,738
1 January 2016	635,548,742	401,152,683	20,485,468	46,807,285	553,581	21,960,023	2,884,624	1,129,392,406

**Capital commitments**

During the three months ended 31 March 2017, the Group entered into a contract to buy property, plant and equipment for SAR 440 million (three months ended 31 March 2016 for 431 million and year ended 31 December 2016 for 440 million). These relate to contracts signed for the construction of Safarat Ditrict Hotel, the third, fourth and fifth phase of Darraq project, Alnakheel Village and Aljubail Hotel.

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**7. Investment property, Net**

**31 March 2017**

	<u>Lands</u>	<u>Buildings</u>	<u>Improvements on buildings</u>	<u>Furniture</u>	<u>Vehicles</u>	<u>Devices and equipment</u>	<u>Elevator and Central Air Conditioning</u>	<u>Total</u>
<b><u>Cost:</u></b>								
Balance at 1 January	92,269,327	551,445,161	1,007,798	40,555,945	3,334,012	21,380,290	25,115,500	735,108,033
Additions	--	--	30,740	--	--	871,805	--	901,805
<b>Balance at 31 March</b>	<b>92,269,327</b>	<b>551,445,161</b>	<b>1,037,798</b>	<b>40,555,945</b>	<b>3,334,012</b>	<b>22,252,095</b>	<b>25,115,500</b>	<b>736,009,838</b>
<b><u>Accumulated depreciation:</u></b>								
Balance at 1 January	--	191,236,752	339,411	17,507,984	3,334,012	8,915,261	20,165,806	241,499,226
Charged for the year	--	4,163,457	50,209	1,000,010	--	540,094	88,822	5,842,591
<b>Balance at 31 December</b>	<b>--</b>	<b>195,400,209</b>	<b>389,620</b>	<b>18,507,994</b>	<b>3,334,012</b>	<b>9,455,355</b>	<b>20,254,628</b>	<b>247,341,817</b>
<b>Net Book Value:</b>								
<b>31 March 2017</b>	<b>92,269,327</b>	<b>356,044,952</b>	<b>648,178</b>	<b>22,047,951</b>	<b>--</b>	<b>12,796,740</b>	<b>4,860,872</b>	<b>488,668,021</b>
<b>31 December 2016</b>	<b>92,269,327</b>	<b>360,208,409</b>	<b>668,387</b>	<b>23,047,960</b>	<b>--</b>	<b>12,465,029</b>	<b>4,949,694</b>	<b>493,608,807</b>
<b>1 January 2016</b>	<b>92,269,327</b>	<b>377,139,802</b>	<b>344,019</b>	<b>26,564,845</b>	<b>45,449</b>	<b>10,968,200</b>	<b>5,579,301</b>	<b>512,910,942</b>

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**8. RELATED PARTIES**

During its ordinary course of business, the Group transacts with the below related parties, 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:

**8/1 Due from related parties**

	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Transactions amount</u>			<u>Balance</u>
			31 March 2017	31 December 2016	31 March 2017	31 December 2016
Umm AlQura Makarim Hotel	Affiliate	Services	2,315,400	10,305,666	579,507	2,568,033
Makarim Al Marifa Company	Affiliate	Services	190,780	1,090,109	1,926,593	1,667,076
Andalusia Residence Complex	Affiliate	Services	199,870	659,815	383,361	983,228
Al Jazira Badr	Affiliate	Services	860,614	1,147,860	190,591	978,305
Al Rawdah Residence Complex	Affiliate	Services	567,910	1,850,927	100,751	354,277
Saudi Company for Heritage Hospitality	Associate	Services	1,019,102	1,958,617	--	286,846
Aseela Investment Company	Affiliate	Services	470,000	470,943	--	--
			<b>3,180,803</b>			<b>6,837,765</b>
						<b>2,134,599</b>

**8/2 Due to related parties**

	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Transactions amount</u>			<u>Balance</u>
			31 March 2017	31 December 2016	31 March 2017	31 December 2016
Makarim ALBait Hotel	Affiliate	Services	911,670	2,962,225	2,749,827	2,847,223
Al Madinah Limited Company LLC	Associate	Payments on behalf	826,901	1,825,027	13,327,063	13,327,063
Al Mazzer Compound	Affiliate	Services	314,980	862,460	891,581	1,607,549
Aljazira Compound Riyadh	Affiliate	Services	213,523	545,517	451,108	382,536
			<b>17,419,579</b>		<b>17,419,579</b>	<b>18,164,371</b>
						<b>9,886,291</b>

All outstanding balances with these related parties are to be settled in cash.

**Transactions with key management personnel**

Salaries, bonuses and end of service of the Group's key management persons

<b>31 March 2017</b>	<b>31 March 2016</b>
<b>1,078,526</b>	<b>1,602,037</b>

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**9. LOAN AND BORROWING**

<b>Non-current liabilities:</b>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
Secured bank loan	329,191,926	283,392,860	188,923,680
<b>Current liabilities:</b>			
Secured bank loan	6,219,635	31,500,000	9,294,281
	<u>335,411,561</u>	<u>314,892,860</u>	<u>198,217,961</u>

**Terms and repayment schedule**

The terms and conditions of outstanding loans are as follows:

	<b>Currency</b>	<b>Rate</b>	<b>Face Value</b>	<b>Carrying amount</b>	<b>Year of maturity</b>
<b>Balance at 1 January 2017</b>				314,892,860	
<b>Proceeds during the period:</b>					
Local bank	SAR	Sibor+1%	218,900,000	22,073,610	2023
<b>Repayment:</b>					
Local bank	SAR	Sibor+1%	(1,554,909)	(1,554,909)	--
<b>Balance at 31 March 2017</b>				<u>335,411,561</u>	

The Group has a secured bank loan in the form of financing, forward sale and Murabaha, with a total value of SR 371.9 million (2016: SR 371.9 million) at variable Murabaha rates.

This finance is secured by promissory notes issued for the entire amount of facilities with the local commercial bank 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.



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**10. FINANCIAL INSTRUMENT**

**Financial assets**

	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
<b>Financial assets classified as available for sale</b>			
Available for sale investment *	7,000,000	7,000,000	46,241,691
<b>Total Financial assets classified as available for sale</b>	<b>7,000,000</b>	<b>7,000,000</b>	<b>46,241,691</b>
<b>Financial assets carried at amortized cost</b>			
Trade receivables	89,729,266	66,747,009	72,247,311
Due from related parties	3,180,803	6,837,765	2,134,599
<b>Total financial assets carried at amortized cost</b>	<b>92,910,069</b>	<b>73,584,774</b>	<b>74,381,910</b>
<b>Total financial assets</b>	<b>99,910,069</b>	<b>80,584,774</b>	<b>120,623,601</b>
<b>Total current assets</b>	<b>92,910,069</b>	<b>73,584,774</b>	<b>74,381,910</b>
<b>Total non-current assets</b>	<b>7,000,000</b>	<b>7,000,000</b>	<b>46,241,691</b>

\* Available for sale investment include unquoted securities amounting to SAR 7,000,000 carried at cost less impairment due to absences of an active market.

**Financial liabilities**

	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
<b>Financial liabilities carried at amortized cost</b>			
Trade Payable	28,147,048	21,338,692	14,770,828
Loan and borrowing	335,411,561	314,892,860	198,217,961
Due to related parties	17,419,579	18,164,371	9,886,291
<b>Total financial liabilities carried at amortized cost</b>	<b>380,978,188</b>	<b>354,395,923</b>	<b>222,875,080</b>
<b>Total current liabilities</b>	<b>51,786,262</b>	<b>71,003,063</b>	<b>33,951,400</b>
<b>Total non-current liabilities</b>	<b>329,191,926</b>	<b>283,392,860</b>	<b>188,923,680</b>

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

**11. EXPLANATION OF TRANSITION TO IFRS**

As stated in (Note -2) these are the Group's first Condensed Consolidated Interim financial statements prepared in accordance with IFRSs.

The accounting policies set out in (Note-4) have been applied in preparing the Condensed Consolidated Interim financial statements for the period ended 31 March 2017 and in the preparation of an opening IFRS Condensed Consolidated statement of financial position at 1 January 2016 (the Group's date of transition).

In preparing its opening IFRS Condensed Consolidated statement of financial position, the Group has adjusted amounts reported previously in Condensed Consolidated financial statements prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia (previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

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**11. EXPLANATION OF TRANSITION TO IFRS (Continuing)**

**11/1 Reconciliation of statement of financial position and equity as of 1 January 2016 (date of IFRS transition)**

	<b>Pervious GAAP</b>	<b>Effect of transition to IFRSs</b>	<b>IFRS</b>
<b>Assets</b>			
Property and equipment, net	1,648,075,221	(518,682,815)	1,129,392,406
Capital work in progress	216,779,541	--	216,779,541
Investment property, net	--	512,910,942	512,910,942
Investments in equity-accounted investees	32,163,858	--	32,163,858
Available for sale investment	46,241,691	--	46,241,691
<b>Non-Current Assets</b>	<b>1,943,260,311</b>	<b>(5,771,873)</b>	<b>1,937,488,438</b>
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
<b>Current assets</b>	<b>334,281,045</b>	<b>--</b>	<b>334,281,045</b>
<b>Total assets</b>	<b>2,277,541,356</b>	<b>(5,771,873)</b>	<b>2,271,769,483</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	1,000,000,000	--	1,000,000,000
Statutory reserve	500,000,000	--	500,000,000
Other reserve	143,002,490	--	143,002,490
Fair value reserve for available for sale investments	6,073,039	--	6,073,039
Retained earnings	147,086,755	(6,630,136)	140,456,619
<b>Equity attributable to owner of the Company</b>	<b>1,796,162,284</b>	<b>(6,630,136)</b>	<b>1,789,532,148</b>
Non-controlling interests	38,032,479	(84,737)	37,947,742
<b>Total equity</b>	<b>1,834,194,763</b>	<b>(6,714,873)</b>	<b>1,827,479,890</b>
<b>Non-Current Liabilities</b>			
Long term loans – non-current portion	188,923,680	--	188,923,680
Employee benefits	49,864,190	943,000	50,807,190
<b>Total Non-Current Liabilities</b>	<b>238,787,870</b>	<b>943,000</b>	<b>239,730,870</b>
<b>Current Liabilities</b>			
Long term loans – current portion	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 payable	53,366,488	--	53,366,488
Zakat provision	17,343,025	--	17,343,025
<b>Total Current Liabilities</b>	<b>204,558,723</b>	<b>--</b>	<b>204,558,723</b>
<b>Total Liabilities</b>	<b>443,346,593</b>	<b>--</b>	<b>444,289,593</b>
<b>Total equity and liabilities</b>	<b>2,277,541,356</b>	<b>(5,771,873)</b>	<b>2,271,769,483</b>

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**11. EXPLANATION OF TRANSITION TO IFRS (Continuing)**

**11/2 Reconciliation of statement of financial position and equity as of 31 December 2016**

	Pervious GAAP	Effect of transition to IFRSs	IFRS
<b>Assets</b>			
Property and equipment, net	1,683,442,191	(499,783,453)	1,183,658,738
Capital work in progress	375,977,222	--	375,977,222
Investment property, net	--	493,608,807	493,608,807
Investments in equity-accounted	30,436,391	--	30,436,391
Available for sale investment	7,000,000	--	7,000,000
<b>Non-Current Assets</b>	<u>2,096,855,804</u>	<u>(6,174,646)</u>	<u>2,090,681,158</u>
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
<b>Current assets</b>	<u>315,773,705</u>	<u>--</u>	<u>315,773,705</u>
<b>Total assets</b>	<u>2,412,629,509</u>	<u>(6,174,646)</u>	<u>2,406,454,863</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	1,000,000,000	--	1,000,000,000
Statutory reserve	500,000,000	--	500,000,000
Other reserve	143,002,490	--	143,002,490
Retained earnings	143,983,184	(8,527,380)	135,455,804
<b>Equity attributable to owner of the Company</b>	<u>1,786,985,674</u>	<u>(8,527,380)</u>	<u>1,778,458,294</u>
Non-controlling interests	37,471,187	(178,414)	37,292,773
<b>Total equity</b>	<u>1,824,456,861</u>	<u>(8,705,594)</u>	<u>1,815,751,067</u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Long term loans – non-current portion	283,392,860	--	283,392,860
Employee benefits	53,025,899	2,531,148	55,557,047
<b>Total Non-Current Liabilities</b>	<u>336,418,759</u>	<u>2,531,148</u>	<u>338,949,907</u>
<b>Current Liabilities</b>			
Long term loans –current portion	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 payable	47,387,302	--	47,387,302
Zakat provision	17,917,222	--	17,917,222
<b>Total Current Liabilities</b>	<u>251,753,889</u>	<u>--</u>	<u>251,753,889</u>
<b>Total Liabilities</b>	<u>588,172,648</u>	<u>2,531,148</u>	<u>590,703,796</u>
<b>Total equity and liabilities</b>	<u>2,412,629,509</u>	<u>(6,174,646)</u>	<u>2,406,454,863</u>

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**11. EXPLANATION OF TRANSITION TO IFRS (Continuing)**

**11/3 Reconciliation of statement of financial position and equity as of 31 March 2016**

	Pervious GAAP	Effect of transition to IFRSs	IFRS
<b>Assets</b>			
Property and equipment, net	1,671,816,814	(517,709,740)	1,154,107,074
Capital work in progress	280,924,596	--	280,924,596
Investment property, net	--	511,837,164	511,837,164
Investments in equity-accounted investees	32,452,859	--	32,452,859
Available for sale investment	43,040,327	--	43,040,327
<b>Non-Current Assets</b>	<b>2,028,234,596</b>	<b>(5,872,576)</b>	<b>2,022,362,020</b>
Inventories	26,975,116	--	26,975,116
Trade receivables	79,531,344	--	79,531,344
Due from related parties	3,237,543	--	3,237,543
Prepayments and other current assets	25,626,537	--	25,626,537
Cash and cash equivalents	228,222,246	--	228,222,246
<b>Current assets</b>	<b>363,592,786</b>	<b>--</b>	<b>363,592,786</b>
<b>Total assets</b>	<b>2,391,827,382</b>	<b>(5,872,576)</b>	<b>2,385,954,806</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	1,000,000,000	--	1,000,000,000
Statutory reserve	500,000,000	--	500,000,000
Other reserve	143,002,490	--	143,002,490
Fair value reserve for available for sale investments	2,873,384	--	2,873,384
Retained earnings	178,587,021	(7,104,447)	171,482,574
<b>Equity attributable to owner of the Company</b>	<b>1,824,462,895</b>	<b>(7,104,447)</b>	<b>1,817,358,448</b>
Non-controlling interests	38,330,349	(108,157)	38,222,192
<b>Total equity</b>	<b>1,862,793,244</b>	<b>(7,212,604)</b>	<b>1,855,580,640</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Long term loans – non-current portion	234,091,520	--	234,091,520
Employee benefits	53,724,394	1,340,028	55,064,422
<b>Total Non-Current Liabilities</b>	<b>287,815,914</b>	<b>1,340,028</b>	<b>289,155,942</b>
<b>Current Liabilities</b>			
Long term loans – current portion	34,000,000	--	34,000,000
Trade payables	21,920,496	--	21,920,496
Due to related parties	13,334,298	--	13,334,298
Accrued expenses and other current liabilities	101,347,562	--	101,347,562
Dividend payable	53,227,430	--	53,227,430
Zakat provision	17,388,438	--	17,388,438
<b>Total Current Liabilities</b>	<b>241,218,224</b>	<b>--</b>	<b>241,218,224</b>
<b>Total Liabilities</b>	<b>529,034,138</b>	<b>1,340,028</b>	<b>530,374,166</b>
<b>Total equity and liabilities</b>	<b>2,391,827,382</b>	<b>(5,872,576)</b>	<b>2,385,954,806</b>

**DUR HOSPITALITY COMPANY**  
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**11. EXPLANATION OF TRANSITION TO IFRS (Continuing)**

**11/4 Reconciliation of profit or loss as of 31 March 2016**

	<b>Pervious GAAP</b>	<b>Effect of transition to IFRSs</b>	<b>IFRS</b>
Hospitality income	117,797,041	--	117,797,041
Rental income	15,428,015	--	15,428,015
Management fees	1,705,956	--	1,705,956
Total revenues	<u>134,931,012</u>	--	<u>134,931,012</u>
Cost of revenues	<u>(92,646,016)</u>	<u>(100,703)</u>	<u>(92,746,719)</u>
<b>Gross profit</b>	<u>42,284,996</u>	<u>(100,703)</u>	<u>42,184,293</u>
Other income	295,731	--	295,731
Selling and distribution expenses	(240,832)	--	(240,832)
General and administrative expenses	<u>(9,375,942)</u>	--	<u>(9,375,942)</u>
<b>Result from operating activities</b>	<u>32,963,953</u>	<u>(100,703)</u>	<u>32,863,250</u>
Finance income	136,399	--	136,399
<b>Profit before zakat</b>	<u>33,100,352</u>	<u>(100,703)</u>	<u>32,999,649</u>
Zakat expenses	<u>(1,300,507)</u>	--	<u>(1,300,507)</u>
<b>Profit for the period</b>	<u>31,799,845</u>	<u>(100,703)</u>	<u>31,699,142</u>
<b>Profit attributable to:</b>			
Owners of the Company	31,500,266	(100,392)	31,399,874
Non-controlling interests	299,579	(311)	299,268
<b>Profit for the period</b>	<u>31,799,845</u>	<u>(100,703)</u>	<u>31,699,142</u>
Profit per share:			
Basic and diluted earning per share (in SR)	<u>0.32</u>	<u>(0.002)</u>	<u>0.32</u>

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**11. EXPLANATION OF TRANSITION TO IFRS (Continuing).**

**11/5 Reconciliation of other comprehensive income as of 31 March 2016,**

	<b>Pervious GAAP</b>	<b>Effect of transition to IFRSs</b>	<b>IFRS</b>
<b>Profit for the period</b>	<u>31,699,142</u>	<u>—</u>	<u>31,699,142</u>
<b>Comprehensive loss:</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Available for sale investments – change in fair value	(3,201,364)	--	(3,201,364)
<b>Items that are not reclassified subsequently to profit or loss</b>			
Defined benefits plan actuarial losses	--	(397,028)	(397,028)
<b>Comprehensive loss</b>	<u>(3,201,364)</u>	<u>(397,028)</u>	<u>(3,598,392)</u>
<b>Total comprehensive income</b>	<u>28,497,778</u>	<u>(397,028)</u>	<u>28,100,750</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	28,228,342	(373,919)	27,854,423
Non-controlling interests	269,436	(23,109)	264,327
	<u>28,497,778</u>	<u>(397,028)</u>	<u>28,100,750</u>

**DUR HOSPITALITY COMPANY**  
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**11. EXPLANATION OF TRANSITION TO IFRS (Continuing)**

**11/6 Reconciliation of profit or loss as of 31 December 2016**

	<b>Pervious GAAP</b>	<b>Effect of transition to IFRSs</b>	<b>IFRS</b>
Hospitality income	424,924,485	--	424,924,485
Rental income	67,003,860	--	67,003,860
Management fees	7,284,433	--	7,284,433
<b>Total Revenues</b>	<b>499,212,778</b>	<b>--</b>	<b>499,212,778</b>
Cost of revenues	(351,713,870)	(402,809)	(352,116,679)
<b>Gross profit</b>	<b>147,498,908</b>	<b>(402,809)</b>	<b>147,096,099</b>
Other income	3,509,564	--	3,509,564
Realized gain from sale of investment in security held for trading	6,917,327	--	6,917,327
Selling and distribution expenses	(1,509,105)	--	(1,509,105)
General and administrative expenses	(37,462,600)	--	(37,462,600)
Share of losses of equity accounting investee	(1,727,467)	--	(1,727,467)
	117,226,627	(402,809)	116,823,818
Finance income	1,047,679	--	1,047,679
<b>Profit before zakat</b>	<b>118,274,306</b>	<b>(402,809)</b>	<b>117,871,497</b>
Zakat expenses	(4,983,911)	--	(4,983,911)
<b>Profit</b>	<b>113,290,395</b>	<b>(402,809)</b>	<b>112,887,586</b>
<b>Profit attributable to:</b>			
Owners of the Company	113,696,429	(401,566)	113,294,863
Non-controlling interests	(406,034)	(1,243)	(407,277)
	113,290,395	(402,809)	112,887,586
<b>Profit per share:</b>			
Basic and diluted earning per share (in SR)	1.133	(0.004)	1.129

**DUR HOSPITALITY COMPANY**  
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**11. EXPLANATION OF TRANSITION TO IFRS (Continuing),**

**11/7 Reconciliation of profit or loss as of 31 December 2016**

	<b>Pervious GAAP</b>	<b>Effect of transition to IFRSs</b>	<b>IFRS</b>
<b>Profit for the period</b>	<u>113,290,395</u>	<u>--</u>	<u>113,290,395</u>
<b>Comprehensive loss:</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Available for sale investments – change in fair value	(6,073,039)	--	(6,073,039)
<b>Items that are not reclassified subsequently to profit or loss</b>			
Defined benefits plan actuarial losses	--	(1,588,112)	(1,588,112)
<b>Comprehensive loss</b>	<u>(6,073,039)</u>	<u>(1,588,112)</u>	<u>(7,661,151)</u>
<b>Total comprehensive income</b>	<u>107,217,356</u>	<u>(1,588,112)</u>	<u>105,629,244</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	107,060,421	(1,495,678)	105,564,743
Non-controlling interests	156,935	(92,434)	64,501
	<u>107,217,356</u>	<u>(1,588,112)</u>	<u>105,629,244</u>



**DUR HOSPITALITY COMPANY**  
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**11. EXPLANATION OF TRANSITION TO IFRS (Continuing).**

**Note to the reconciliations**

**A. Provision for employees' end of service benefits**

Under previous GAAP, the Group accrued costs relating to its employees' end of service benefits such that the vested benefits to which the employee is entitled should be his services be terminated at the Condensed Consolidated Interim balance sheet date. Under IFRS, costs relating to the employees' end of service benefits are recognized based on an actuarial valuation using the projected unit method. The difference in employees' end of service benefits based on previous GAAP and IFRS at the date of transition has been recognized against retained earnings.

**B. Split of property and equipment by component**

The Group has split its building to components; each component is depreciated in line with its useful economic life. The difference in the net book value of property and equipment between previous GAAP and IFRS at the date of transition has been recognized against retained earning.

**C. Reclassification to investment property**

Under previous GAAP, the Group recognized some items of investment property in property and equipment. Under IFRS, net book value relating to these items has been recognized as investment property. The Group has split its building to components; each component is depreciated in line with its useful economic life. The difference in the investment property net book value between previous GAAP and IFRS at the date of transition has been recognized against retained earning.

**D. Reclassification of Statement of Comprehensive income and statement of Cash flow**

As of 1 January 2016, there were no material difference between the condensed consolidated interim statement of comprehensive income and Condensed Consolidated Interim statement of cash flow presented under IFRS and under previous GAAP.