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شركة دور للضيافة
Dur Hospitality Company

2016 Annual Report

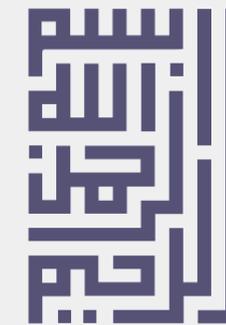


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DSCA Children in National Day

Message from the Board

Dear Shareholders of Dur Hospitality,

The Board of Directors is delighted to produce the annual report on Dur's key business and activities for the fiscal year 2016 and financial statements for the year ended 31 December 2016. This Report has been prepared as per the requirements of the Saudi Capital Market Authority's Corporate Governance Regulations, registration, and listing rules. The Company's financial results for the fiscal year 2016 showed revenues of SAR 499.2 million, down by 6.3% compared to the previous year.

Despite economic transformations and difficulties faced by companies operating in the Saudi Market in 2016, Dur Hospitality has managed to mitigate the impact of such difficulties through intensified efforts to maintain the level of our services offered to our clients, while reducing some of the operating costs. With God's help and the efforts of our staff, Dur Hospitality was able to achieve results that are considered positive in the current circumstances.

Supported by the spirit of partnership and excellence in services and business, this performance gives us the green

light to proceed with our ambitious strategy for sustainable growth and continuous increase in our market share, with our investment and development vision for hospitality sector which proved to be successful over the last years.

In late 2016, we celebrated the 40th anniversary of Dur Hospitality and honored the former chairmen, board members, employees and everyone who contributed to the success of Dur since its inception. Over 40 years, Dur Hospitality continued to develop and reflect the concept of authentic Arabian hospitality in a world-class integrated industry in line with the progress of our beloved country.

In 2016, we added two hotels to our operation portfolio within Dar Al Hijrah Project in Medina through an operation agreement with the Public Investment Fund. We also started the construction of Marriott Hotel and Executive Residences, Diplomatic Quarter, Riyadh, with its unique design and location, during a ceremony held under the auspices of His Royal Highness Prince Faisal Bin Bandar Bin Abdulaziz, Prince of Riyadh. We also signed a franchise agreement with Marriott International, where Courtyard Hotel and Residence Inn hotel in Yanbu are the first fruits of such agreement.

As a key player in a successful service sector, we always strive to take our social responsibility and contribute to this leading society of Saudi Arabia. To this end, we signed some agreements with associations and organizations that support humanitarian, community and charity issues.

We have always been proud of our people and have always worked hard to develop our work environment, creating such a better place that individuals can be proud of. We apply the international standards to improve our work environment and make it stimulating and attractive for qualified national talents.

We are extremely thankful and grateful to our loyal partners for their loyalty, to our esteemed shareholders for their continuous support, and to our skillful staff for their efforts to realize the Company's objectives. Our people are the key to our success and continuance.

Best Regards,

Board of Directors

Board Members



Eng. Abdullah bin Mohammad Al Issa
Chairman



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



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



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



Mr. Nasser bin Mohammad Al Subaiei
Board Member



Dr. Saleh bin Ali AL Hathloul
Board Member



Mr. Bader bin Abdullah Al Issa
Board Member



Mr. Fahad bin Abdullah Al Qassim
Board Member



Mr. Musaab bin Sulaiman Al Muhaideb
Board Member



COMPANY OVERVIEW

- 1-1 Main Activity
- 1-2 Strategic Orientation
- 1-3 Organizational Chart
- 1-4 Dur 40th Anniversary
- 1-5 Key Achievements in 2016

01

Our Vision

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

1-1 Main Activities

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

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

- Creation, ownership, management, operation, investment, purchase, sharing, lease and rental of hotels, restaurants, motels, lounges, entertainment centers, travel agencies and private beaches of different levels and sizes in cities, public roads and tourism areas;
- Ownership, purchase, development, division and sorting of lands and real estates; construction, sale, evacuation, lease or use of residential, commercial and hotel buildings management
- of real estates for the account of the Company or third parties; carrying out of operation and maintenance works;
- Provision of services to Umrah performers and visitors to Prophet's Mosque;
- Practice of all principal and ancillary works required to perform, process and carry on all activities of the said business in consistency with the purposes for which they are devoted;
- Achievement of high level service(s) offered at such places and equipment of such places according to their grade as determined by the Board of Directors.

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

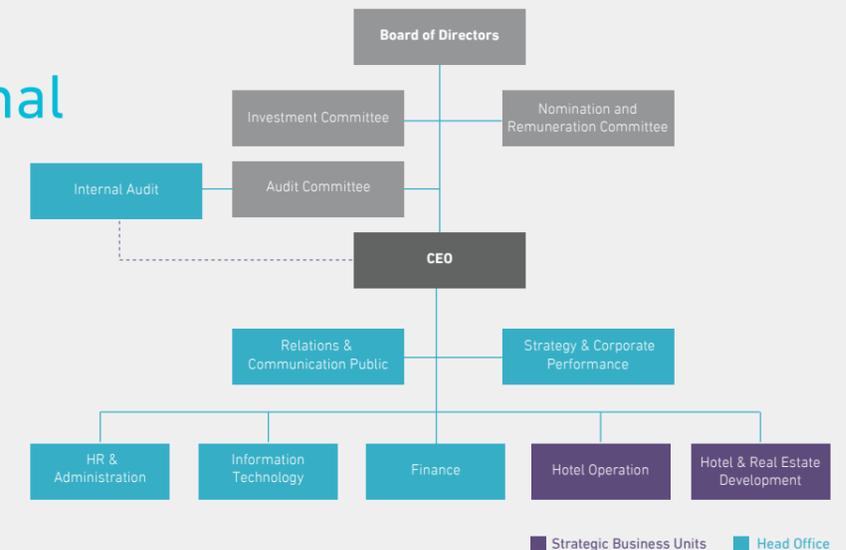
1-2 Strategic Direction

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

- Focusing on investment in the development of 3 to 4 star hotels and luxury residential communities. Therefore, the Company will invest in hotel and real estate development so that the Company's portfolio will include more than 25 hotel and real estate facilities in the next five years.
- Improving the performance of current facilities and investments to include renovations and expansions of a number of facilities, in addition to strategic programs for improving the operations of current facilities.
- Expanding the demographic distribution of Makarem Hotels, being the hotel brand that is specialized in the Two Holy Mosques' cities.
- Building strategic partnerships and alliances with international corporations and brands specialized in hotel management and operation related to the Company's hotel operation portfolio in the key and other KSA cities.

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

1-3 Organizational Chart



1-4 Dur 40th anniversary, an event to document the past and forecast the future



On Tuesday, 27 December 2016, Dur Hospitality completed 40 years of leadership and excellence. On that day, Dur held an event to honor the former chairmen, board directors, employees and everyone who contributed to the success of Dur since its inception.

It was a very special day that brought together and honored Dur's first pioneers and their

contributions. Such overwhelming moments were captured in memorable photos.

During the ceremony, the Company's key milestones were presented in a short film. This celebration is a point of start towards a promising future of harmonized success and creativity in a world of authentic hospitality and documents our strategy

that has never been limited to our business, but included our environment and community.

Over 40 years, Dur Hospitality continued to develop and reflect the concept of authentic Arabian hospitality in a world-class integrated industry in line with the rising of our beloved country.



Great attendees on a great day



Honored chairmen, directors and CEOs throughout the 40-year journey



A special gift from Dr. Abdullah Al-Hadeethi to Sheikh Mohammad Al-Issa, a hospitality leader in KSA



Trustfulness makes loyalty. Our people are our future.



Pioneering staff members throughout the 40 years

1-5 Key Achievements in 2016

Dur Hospitality continued to apply its strategic plan for hospitality investment and development. Below is a brief presentation of the key achievements in the last year:

Cornerstone laid for Marriott Riyadh, Diplomatic Quarter, and Marriott Executive Apartments Riyadh, Diplomatic Quarter



A photo during the cornerstone laying ceremony sponsored by His Royal Highness Prince Faisal bin Bandar bin Abdulaziz, Prince of Riyadh

Under the auspices of His Royal Highness Prince Faisal bin Bandar bin Abdulaziz, the cornerstone was laid for Marriott Hotel, Diplomatic Quarter, and Marriott Executive Apartments Riyadh, Diplomatic Quarter. Inspired by the bewitching surrounding of Wadi Hanifa with architectural style that is consistent with the highest smart and environment-friendly building standards, the project's design has been adopted as per Leadership in Energy and Environmental Design (LEED) requirements. Spanning approximately 25000 square meters, the project encompasses an 80-key and 140-apartment hotel with stylish restaurants, meeting rooms and business center.



Courtyard and Residence Inn Hotel in Yanbu, the first fruits of the franchise agreement with Marriott International



Dur Hospitality signed a franchise agreement with Marriott International, with Courtyard Hotel and Residence Inn Hotel in Yanbu being the first fruits of this agreement. With a SAR 87 million investment, Dur will develop the hotel on 7,500 square meters of land.

Makarem launches the loyalty program "Karam", religious guidance service and a website developed in 7 languages



In carrying on its leading role in the hospitality sector in the Kingdom and out of its commitment to keep up with the latest global trends in meeting the visitors' expectations and needs, Makarem Hotels launched new exclusive services on the sidelines of the Arabian Travel Market. Makarem launched the loyalty card "Karam", the religious guidance service and the seven-language website to serve the multinational visitors of the hotel.

Makarem Hotels win 3 global awards



As part of its successful proven track record, Makarem Hotels won 3 awards in Transform Awards MENA, a global brand building and management event which is the only program devoted to the evaluation of the best MENA brands. Makarem won the Silver Award in “the best brand evolution”, the Silver Award for “the Best use of typography” and the Bronze Award for “Best visual identity from the travel & leisure sector”.

Marriott Riyadh and Marriott Executive Apartments win awards in the World Luxury Hotel Awards



Marriott Riyadh; one of the oldest hotels in Saudi Arabia, won «2016 Luxury Hotel and Conference Center” award. Marriott Executive Apartments, Makarem, also won the luxurious hotel apartments award in the World Luxury Hotel Awards 2016. Such awards are another proof of the quality service offered to guests, which the team always works to upgrade to global levels. With its strategic location, remarkable services and extensive facilities, the awards also boost the Hotel’s position as a destination for businessmen and tourists visiting Riyadh.

New units added to Darraq Residences



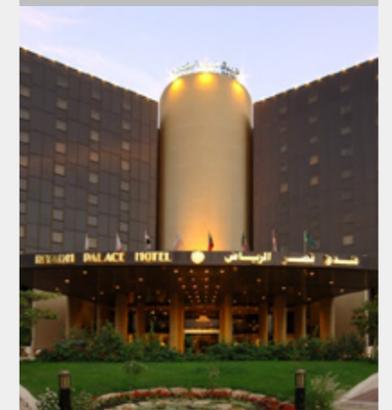
Dur Hospitality has added new residential units to its Darraq Residences, the finest residences in the Diplomatic Quarter. The project now consists of 453 units encompassing 7 models of villas and 2 models of fully-furnished apartments. The new spacious units are designed through the best use of spaces, smart home concept that provides comfort and security, and the preservation of the environment through energy and water conservation systems.

Expansion in Medina through operating two new hotels for the Public Investment Fund



The Public Investment Fund, represented by the Saudi Real Estate Development Company (Dar Al-Hijrah), and Dur Hospitality signed two memorandums of understanding, whereby Dur Hospitality will be operating two hotels at Dar Al-Hijrah project, one of the developments proposed for the development of Medina. As agreed, Dur Hospitality will operate a hotel that will boast 614 rooms and hotel apartments under Makarem hotel brand. The second hotel will incorporate 380 rooms and hotel apartments and will be operated by Marriott Courtyard.

Agreement signed for the management and operation of Riyadh Palace Hotel



Dur Hospitality has signed with the Saudi Hotel Services Company a management and operation agreement, whereby Dur will be managing and operating the SHSC-owned Riyadh Palace Hotel for 20 years. Dur Hospitality holds 70% of the share capital of the Saudi Hotel Services Company.



Business Sectors

- 2-1 Facilities
- 2-2 Projects Under Development
- 2-3 Hotel Operation
- 2-4 Information Technology
- 2-5 Human Resources
- 2-6 Social Responsibility

02

2-1 Properties

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

2.1.1 Facilities owned by Dur, including facilities owned by Dur and operated by others.

2.1.2 Facilities owned or leased and operated Dur, including facilities owned and operated by Dur through any of its operational arms and hotel brands.

2.1.3 Facilities owned by others and operated by Dur, including facilities owned by third parties and operated by Dur through any of its operational arms.

Following is a breakdown of these sectors:

2.1.1 Company owned properties

Property	Description	Owner	Operator
Riyadh Marriott Hotel	418 rooms and suites	Dur Hospitality	Marriott International
Marriott Executive Apartments Riyadh	117 apartments	Dur Hospitality	Marriott International
Diplomat Courtyard Marriott Hotel	286 rooms and suites	Dur Hospitality	Marriott International

2.1.2 Company owned and operated properties

Property	Description	Owner	Operator
Makarem Annakheel Hotel & Resort	112 villas, 21 hotel apartments, 43 rooms and suites	Annakheel Village Resorts Co., with 98.73% of its capital owned by Dur	Dur Hospitality, Makarem
Makarem Ajjad Makkah Hotel	411 rooms	Makkah Hotels Co. Ltd., with 99.44% of its capital owned by Dur	Dur Hospitality, Makarem
Holiday Inn Tabuk Hotel	83 rooms and suites	Tabuk Hotels Co. Ltd., with 97.14% of its capital owned by Dur	Dur Hospitality (under franchise from IHG)
Riyadh Palace Hotel	304 rooms and suites	Saudi Hotel Services Co., with 70% of its capital owned by Dur	Dur Hospitality, Riyadh Palace
Makarem Riyadh Hotel	248 rooms and suites	General Authority of Civil Aviation, Dur as lessee	Dur Hospitality, Makarem
Darraq Villas	214 residential units	High Commission for the Development of Arriyadh	Dur Hospitality
Al-Jazira East Compound	19 villas and 59 rooms	Dur Hospitality	Dur Hospitality
Al-Takhassusi Plaza	More than 20,000 m2 rental space	Dur Hospitality	Dur Hospitality

2.1.3 Properties owned by others and operated by Dur

Property	Description	Owner	Operator
Makarem Umm Alqura Hotel	336 rooms and suites	Assila Investment Company	Dur Hospitality, Makarem
Makarem Al-Bait Hotel	270 rooms and suites	Assila Investment Co.	Dur Hospitality, Makarem
Makarem Mina Hotel	294 rooms and suites	Heirs of Sheikh Mohamed bin Ibrahim Al Ghamdi	Dur Hospitality, Makarem
Makarem Al-Shurufat Hotel	104 rooms	Shurufat Al Safwa Co.	Dur Hospitality, Makarem
Al-Andalus Residence Compound	30 villas	Assila Investment Co.	Dur Hospitality
Al-Rawdah Residence Compound	28 villas	Assila Investment Co.	Dur Hospitality
Al-Jazeera Bader Compound	40 villas	Assila Investment Co.	Dur Hospitality
Dur Al-Maather Compound	73 villas	Saudi Commission for Health Specialties	Dur Hospitality
Dur Al-Yasamin	168 units	Assila Investment Co.	Dur Hospitality

2.1.1 Company owned properties

Riyadh Marriott Hotel



Riyadh



418 rooms and suites



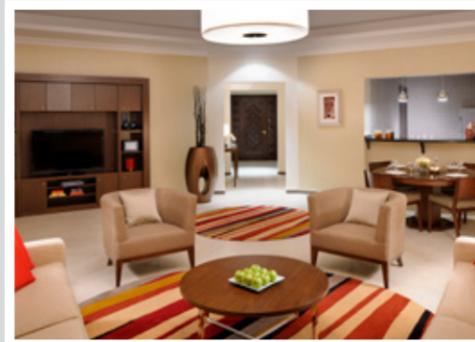
Owner:
Dur Hospitality



Operator: Marriott
International

Riyadh Marriott Hotel is one of the most luxurious five-star hotels in KSA. It has a vital and strategic location at the heart of the vibrant city of Riyadh. The hotel has been recently revamped. It boasts 418 rooms and suites, a number of luxury restaurants, business center and a meeting room equipped with the latest technologies and services. The hotel also houses the Makarem Ballroom, a much sought-after venue for meetings, conferences, weddings and other social events. Another highlight of the Riyadh Marriott Hotel is the state-of-the-art health club and spa that offers guests the finest and most luxurious health services.

Marriott Executive Apartments



Riyadh



117 executive
apartments



Owner:
Dur Hospitality



Operator: Marriott
International

Located next to the Marriott Riyadh Hotel, these unique executive apartments, opened in 2012, cater specifically to the needs of businessmen planning for an extended stay in Riyadh. This elegant 13-floor hotel boasts 117 spacious one, two and three-bedroom hotel apartments to suit all tastes and needs. The hotel also features a restaurant, health club and meeting rooms equipped with the latest amenities and services.

Diplomat Courtyard Marriott Hotel



Riyadh



286 rooms and suites

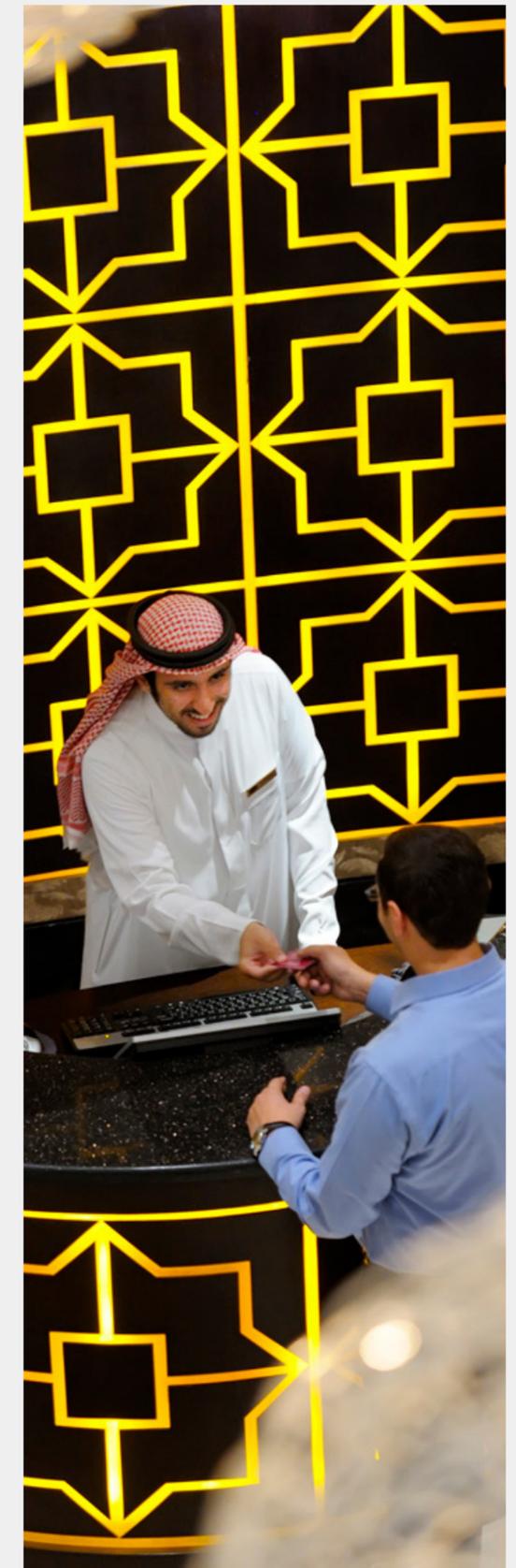


Owner:
Dur Hospitality



Operator: Marriott
International

Opened in 2012, the hotel is conveniently located opposite to the southern entrance of the Diplomatic Quarter in Riyadh. The hotel is ideally located in an accessible spot and offers a calm and peaceful environment. It is the first of the "Courtyard" brand of Marriott chain to be opened in the KSA. The hotel is characterized by its tranquility and relaxed businessmen-friendly ambience, which creates a perfect environment for both relaxation and business. The Diplomat Courtyard Marriott Hotel consists of 286 rooms and suites with a dining facility, state-of-the-art health club, business center and meeting rooms fitted with the latest technologies to satisfy business and corporate conference needs.



2.1.2 Company owned/ leased and operated properties

Makarem Annakheel Hotel and Resort



Jeddah



112 villas



21 hotel apartments



43 rooms and suites



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



Operator: Dur Hospitality - Makarem

This is a luxurious beachfront resort located on the north Obhur bay, Jeddah. The resort boasts 112 furnished villas, 21 apartments and a hotel featuring 43 elegant rooms and suites. The hotel also features meeting rooms, restaurants, separate health clubs for men and women, berth for yachts and boats, a sandy beach offering an array of marine activities and a seaside plaza that can accommodate up to 800 guests. The company has completed the renovation of the hotel and the first four phases of the villas and apartments.

Makarem Ajjad Makkah Hotel



Makkah



411 rooms and suites



Owner: Makkah Hotels Co. Ltd., with 99.44% of its capital owned by Dur



Operator: Dur Hospitality - Makarem

This is a 5-star luxurious hotel with a unique location beside the Holy Mosque in Makkah, within a walking distance of King Abdulaziz Gate. The hotel boasts 411 single, double, triple and quadruple rooms, as well as luxury suites. In 2015, the hotel was launched with the new identity of Makarem.

Holiday Inn Tabuk Hotel



Tabuk



83 rooms and suites



Owner: Tabuk Hotels Co. Ltd., with 97.14% of its capital owned by Dur



Operator: Dur Hospitality (under franchise from IHG)

Holiday Inn Tabuk hotel is located on Medina – Tabuk Road. It comprises 83 rooms and suites. As mentioned earlier, in 2015 the company completed the relaunch of this hotel under the name of Holiday Inn Tabuk which strengthened its ability to offer premium services. The hotel is well known for Al Waleema Restaurant which offers an extensive menu of international and eastern dishes. The hotel also features a ballroom that can accommodate up to 250 guests. It offers a health club services to guests and businessmen. The company has recently revamped and rehabilitated the hotel to be in line with the most advanced changes in the field of hotel hospitality.

Riyadh Palace Hotel



Riyadh



304 rooms and suites



Owner: Saudi Hotel Services Co., with 70% of its capital owned by Dur Hospitality



Operator: Dur Hospitality, Riyadh Palace

This elegant hotel has a unique location at the heart of Riyadh, close to key ministries, entities and banks. As part of the active efforts to be in line with the highest standards of hotel service, the hotel has recently undergone a renovation process for some of its facilities, including the ball and meeting rooms, the business center, the lobby and the sports club.

2.1.2 Company owned/ leased and operated Properties

Makarem Riyadh Hotel



Riyadh



248 rooms and suites



Owner: GACA, Dur Hospitality as lessee



Operator: Dur Hospitality - Makarem

A luxurious five-star hotel in the heart of Riyadh. It is the closest hotel in Riyadh to King Khalid International Airport. The hotel features 248 spacious rooms and suites equipped to the highest international hospitality standards. The hotel is home to the Panoramic Rooftop Restaurant a-la-carte fine dining restaurant that serves some of the world's finest dishes along with a charming ambience and fabulous panoramic view. The Makarem Riyadh Hotel also features multiple meeting rooms, a banquet hall for up to 400 guests, business center, health club and playgrounds. As mentioned earlier, an agreement has been signed with GACA to upgrade the hotel by increasing its capacity with 100 rooms, so that the total number of rooms becomes 348 rooms, in addition to upgrading the supporting facilities including an integrated health club and operating the hotel under an international brand.

Darraq Villas



Riyadh



214 residential units



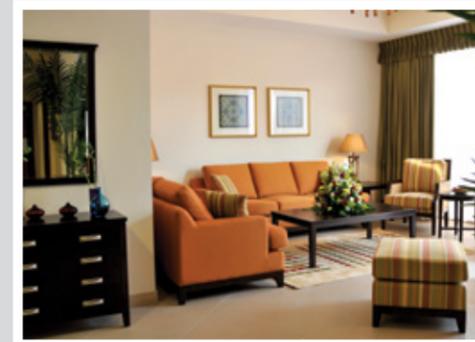
Owner: ADA



Operator: Dur Hospitalit

A number of premium residential units in the Diplomatic Quarter in Riyadh. The quarter ideally provides luxury, privacy and security. It also features excellent public facilities, parks, sports clubs, schools as well as private wellness and recreation centers. The compound consists of 214 residential units, including 6 different models of villas and residential apartments of different sizes. All residential units are equipped with smart home system to offer more protection, luxury and comfort, in addition to applying sustainable development and energy consumption rationalization techniques.

Al-Jazira East Compound



Riyadh



19 villas and 59 rooms



Owner: Dur Hospitality



Operator: Dur Hospitalit

Al-Jazira East Compound covers an area of 20,000 m2 in east Riyadh and consists of 19 villas and 59 single furnished rooms in two buildings separated from the villas with designated entrances. The compound includes a number of recreational facilities including parks, playgrounds, in addition to a health club with two gyms, a steam bath, sauna and two separate swimming pools for adults and children. The development is also lush with green landscaping and playgrounds for children. In addition to full maintenance services, a shuttle bus service to major shopping centers and schools is provided.

Al-Takhassusi Plaza



Riyadh



More than 20,000 m2 rental space



Owner: Dur Hospitality



Operator: Dur Hospitalit

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

2.1.3 Properties owned by others and operated by Dur

Makarem Umm Alqura Hotel



Makkah



336 rooms and suites



Owner: Assila Investment Co.



Operator: Dur Hospitality - Makarem

This is a 5-star luxurious hotel located at Ajyad Street and just a five-minute drive from the Holy Mosque near the Ring Road for an easy access to the holy sites. The hotel boasts 336 spacious rooms and suites. It also features fine restaurants, meeting rooms, retail outlets and parking facility for 80 cars.

Makarem Al-Bait Hotel



Makkah



270 rooms and suites



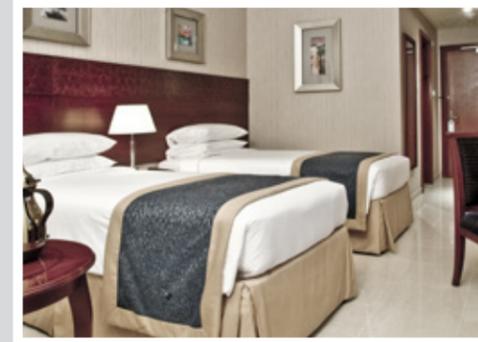
Owner: Assila Investment Co.



Operator: Dur Hospitality - Makarem

Makarem Al-Bait Hotel is located on King Abdul Aziz Street, Shesha district in Makkah, just 3 kilometers away from the Holy Mosque, in close vicinity to Aljamarat. The 4-star hotel features 270 rooms and suites with several distinguished amenities including dining facilities, meeting rooms and retail outlets.

Makarem Mina Hotel



Makkah



294 rooms and suites



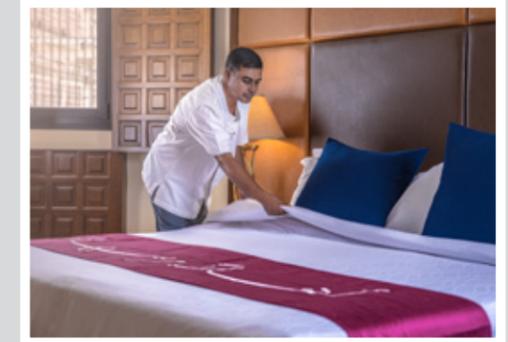
Owner: Inheritors of Sheikh Mohamed bin Ibrahim Al Ghamdi



Operator: Dur Hospitality - Makarem

This 4-star hotel is located in Al-Aziziah district in Makkah near the Holy site of Mina. The hotel features 294 rooms and suites as well as other facilities including restaurants, meeting rooms and retail outlets.

Makarem Al-Shurufat Hotel



Makkah



104 rooms and suites



Owner: Shurufat Al Safwa Co.

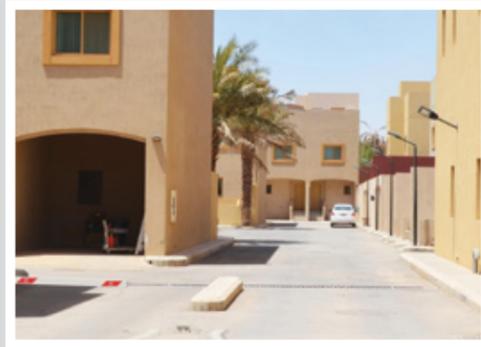


Operator: Dur Hospitality - Makarem

Makarem Al-Shurufat Hotel is located near Makarem Umm Alqura Hotel in close vicinity of Kudai district, 1800 meters away from the Holy Mosque. It is a 7-storey modern building housing 104 luxurious rooms.

2.1.3 Properties owned by others and operated by Dur

Dur Al-Yasamin Compound



Jeddah



168 residential units



Owner: Assila Investment Co.



Operator: Dur Hospitality

Al-Yasamin Residential Compound is located at Al-Rawdah district in Jeddah and is comprising 168 residential units including a number of apartments of different sizes and independent rooms, a fitness center and parking lots.

Al-Rawdah Residence Compound



Jeddah



28 villas



Owner: Assila Investment Co.



Operator: Dur Hospitality

Al-Rawdah Residence Compound is located in Jeddah. It consists of 28 villas of various sizes, private parking lots, an administration and support services building, and a modern health club. The compound is developed so that families would enjoy calm and private atmosphere with magnificent design and prestigious hotel services.

Al-Jazeera Bader Compound



Riyadh



40 villas



Owner: Assila Investment Co.



Operator: Dur Hospitality

Al-Jazeera Bader Compound occupies a unique location at Al-Rayan District in eastern Riyadh. The compound comprises 40 luxuriously furnished villas. It is characterized by privacy, security and peaceful family atmosphere, in addition to sports facilities and a regular shuttle bus service to shopping malls and schools.

Dur Al-Maather Compound



Riyadh



73 villas



Owner: Saudi Commission for Health Specialties



Operator: Dur Hospitality

Al-Maather Compound is located at Al-Maather District and is comprising 73 villas of different sizes, as well as integrated health club and car parking. It is strategically located, making it easy for occupants to reach government departments and large corporations all over Riyadh.

Al-Andalus Residence Compound

The compound is located in Al-Andalus district, off Tahlia Street, Jeddah. The property features 30 luxuriously furnished villas. All villas in the compound enjoy the luxury of total privacy, security and family atmosphere with an array of business services, sports and recreational facilities, and drivers' rooms



Jeddah



30 villas



Owner: Assila Investment Co.



Operator: Dur Hospitality



Al-Andalus Residence Compound

2-2 Projects under development

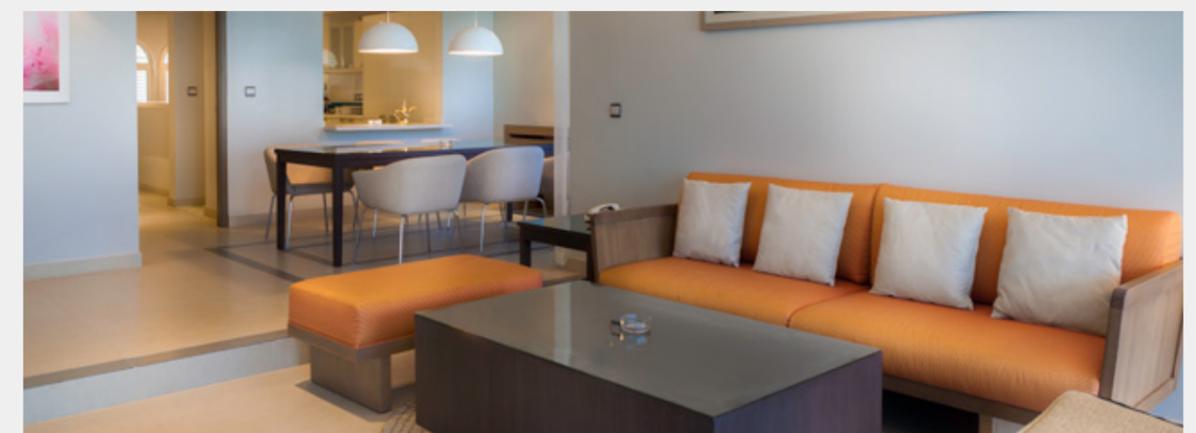
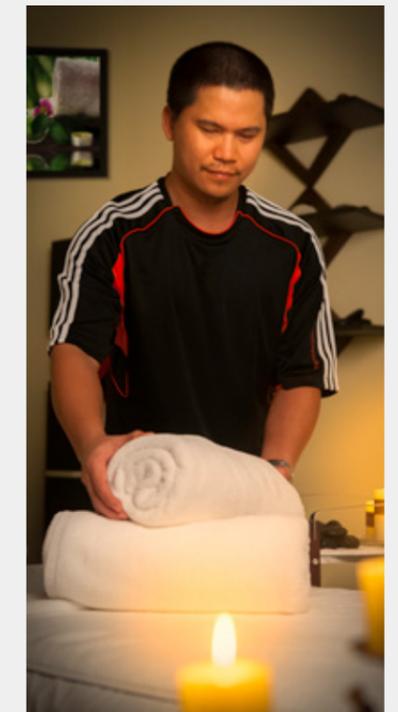
Projects sector is the major and vital pillar for implementing the Company's projects; since it is responsible for planning, studying, designing and implementing. In addition to developing and upgrading existing projects and facilities, depending on our practical and scientific experience to keep abreast of local and international modern technological techniques in development and design. The projects we completed throughout the year, the projects under development and implementation, and the projects under study and design are detailed below:

Projects under study and design	Completed Projects
Construction of hotel apartments and expansion of Holiday Inn Tabuk Hotel	Renovation of Makarem Annakheel Hotel and Resort
Expansion of Makarem Annakheel Hotel and Resort	
Renovation and expansion of Makarem Riyadh Hotel	Projects under development and implementation
Development of King Khalid Road Land in Riyadh	
Al-Ahsa Hotel	
Jeddah Hotel	
Yanbu Courtyard Hotel and Residence Inn	
Renovation and expansion of Makarem Ayyad Makkah Hotel	
Al-Takhassusi Plaza	
Dur Al-Hada Compound	
Darraq (Phase 5) in the Diplomatic Quarter, Riyadh	Marriott Hotel and Marriott Executive Apartments in the Diplomatic Quarter- Riyadh
	Darraq (Phase 3) in the Diplomatic Quarter, Riyadh
	Darraq (Phase 4) in the Diplomatic Quarter, Riyadh
	Twaiq Residential Compound
	Alwadi Residential Compound
	Holiday Inn Jubail Hotel and Suites

2.2.1 Completed Projects

Renovation of Makarem Annakheel Hotel and Resort

In 2016, we completed the renovation of Makarem Annakheel Hotel and Resort which features 112 luxury villas, 21 executive apartments, a 43-room and suite hotel, as well as meeting rooms, a restaurant, a health club for men and another one for women, a marina for yachts and marine activities.



2.2.2 Projects under development and implementation

Marriott Hotel and Marriott Executive Apartments in the Diplomatic Quarter (Riyadh)

A piece of land with an area of 25,000 m² is currently under development at the Diplomatic Quarter in Riyadh. The land is leased from the High Commission for the Development of Arriyadh (ADA) for the purpose of implementing the project of Marriott Hotel and Marriott Executive Apartments. The hotel consists of 80 rooms and suites, 140 5-star luxury executive apartments, in addition to a main restaurant, meeting rooms, ballrooms and a health club. The project is expected to be complete by Q2 of 2018 G.



Development of Darraq (Phase 3) in the Diplomatic Quarter, Riyadh

The Company is currently developing a number of land plots leased from the ADA in the Diplomatic Quarter over an area of 57,807 m². The project features 76 villas and 35 apartments. The residential units have smart home systems and the apartments are fully furnished. The project cost is estimated by SAR 198 million and it is expected to be complete by Q2 of 2017 G.



Development of Darraq (Phase 4) in the Diplomatic Quarter, Riyadh

The project is developed on a number of land plots leased from the ADA in the Diplomatic Quarter spanning an area of 37,774 m². It comprises 41 villas and 45 apartments. The residential units have smart home systems and the apartments are fully furnished. The project cost is estimated by SAR 132 million and it is expected to be completed by Q1 of 2018 G.



Twaiq Residential Compound

A land with a total area of 7,000 m² in west Riyadh in Twaiq district allocated for the construction of a residential compound for the staff of the Company's hotels. This reflects the Company's keenness to offer the best possible services to its employees. The construction works for the 464-room compound is being implemented. The compound features numerous recreational facilities, including parks, playgrounds and a health club. It is expected that the project will be completed by Q2 of 2017 G.



2.2.2 Projects under development and implementation

Alwadi Residential Compound

A piece of land spanning a total area of 5,000 m² at Wadi Laban district in western Riyadh has been allocated to construct a residential compound for the families of the staff of the Company's hotels. This comes out of Dur Hospitality's keenness to offer the best services to its employees. The construction works are being carried out for the compound featuring 66 residential units, a number of recreational facilities including parks, playgrounds, a health club and swimming pools. The project is expected to be completed by Q3 of 2018 G.



Holiday Inn Jubail Hotel and Suites

Dur Hospitality is currently developing a piece of land with a total area of about 10,000 m² in Jubail Industrial City, leased from the Royal Commission for Jubail and Yanbu. The land will be used to build a hotel under the Holiday Inn brand. The hotel will feature 144 rooms and suites, a health club and a main restaurant. The architectural and interior designs have been completed. Contractors will be invited to implement the project which is expected to be complete by Q1 of 2019 G.



2.2.3 Projects under study and design

Expansion of Makarem Annakheel Hotel & Resort

The Company currently implements the expansion works of Makarem Annakheel Hotel and Resort which is located at northern Obhur bay in Jeddah. 107 rooms and suites and a ballroom will be added.

Construction of hotel apartments and expansion of Holiday Inn Tabuk Hotel

The Company is currently developing serviced apartments that consist of 61 hotel units on a land spanning an area of 2,400 m². The project is expected to be completed by Q2 of 2019 G.



Renovation and expansion of Makarem Riyadh Hotel

The Company is currently developing Makarem Riyadh Hotel which is leased from the GACA and located in the vicinity of Riyadh Airport. The development process includes renovation of the interior design of the existing building with all the rooms and components. The building consists of 248 hotel rooms and suites. Dur is working currently with a consulting firm to renovate the interior design of the building. The development also includes hotel expansion by adding 100 rooms and suites in an annex that will house a health club for women. The design of the new building has been completed by a consulting firm and contractors will be invited for implementation. The project is expected to be completed by Q4 of 2019.



Development of King Khalid Road land in Riyadh

A study is being carried out to identify the best options to develop a piece of land owned by Dur with a total area of 29,500 m² located at King Khalid Road in Riyadh.



2.2.3 Projects under study and design

Development of Al-Ahsa Hotel

The company is currently developing a hotel and hotel apartments on a land plot with a total area of about 10,135 m² in Hofuf, Al Ahsa Governorate. The project will have 120 residential units, 60 hotel rooms and 60 hotel apartments with recreational facilities. A proper consulting firm will be engaged to develop the designs.

Jeddah Hotel

The Company is currently developing a hotel comprising 238 residential units, 149 hotel rooms and 89 hotel apartments on a land plot with an area of about 3,850 m² at Al-Madina road, Al-Mohammadiya district, Jeddah. A consulting firm has been engaged to develop modern architectural designs. The project is expected to be completed by Q4 of 2019 G.



Development of Darraq (Phase 5) at the Diplomatic Quarter in Riyadh

The Company is developing a number of land plots leased from the ADA in the Diplomatic Quarter with an area of 8,736 m². The project features 55 residential units, with fully furnished apartments. The design phase has been completed and contractors will be invited to implement the project.

Dur Al-Hada Compound

A study is underway to develop "Al-Hada Residential Compound" project on a land plot of 19,900 m² owned by Dur at Al-Hada district, Riyadh. The project is expected to include 200 residential units.



Yanbu Courtyard Hotel and Residence Inn

The Company is currently developing Yanbu Courtyard Hotel and Residence Inn on a land plot of about 7500 m² leased from the Royal Commission for Jubail and Yanbu. The project comprises 150 residential units, 90 hotel rooms and 60 hotel apartments. A consulting firm has been engaged to develop modern architectural designs. The project is expected to be completed by Q4 of 2019 G.

Renovation and expansion of Makarem Ajjad Makkah Hotel

Makarem Ajjad Makkah Hotel currently undergoes renovation and expansion. The hotel, which is located near the Holy Mosque, is owned and operated by Dur Hospitality. It houses 411 rooms and suites, as well as a restaurant and ballrooms. The renovation includes the existing building to match the new identity. The expansion includes building a new tower annexed to the existing building; to add new rooms with a better view overlooking the Holy Mosque. Consulting firms are being invited to submit architectural designs.

Al-Takhassusi Plaza

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



2-3

Hotel Operations in Dur Hospitality



Hotel operation sector, the operational arms of Dur Hospitality, has unique capabilities and diverse options that enabled it to be the ideal partner of investment companies and hotel owners in KSA. The sector relies upon a wide base of local expertise and knowledge in the Saudi market and acquires its operational capacities from close collaboration with international partners to offer hospitality according to international standards and with local spirit.

Through the hotel operation sector, Dur has developed strong relations with major hospitality companies worldwide. Dur has franchise rights to use the brands of Marriott International Hotels and IHG. Dur Hospitality's hotel operation capacities not only depended on global brands, but also created its own Saudi brand "Makarem" specialized in serving guests of

Makkah and Medina. Dur Hospitality has launched unique services like the loyalty card "Karam" and religious guidance service. It has also recently launched a website with 7 languages to facilitate communication with guests from all over the world. Makarem hotel brand received awards that prove its competence and excellence.

Hotel Operation Department depends on Dur Hospitality's capacities in hotel development, investment and asset management. Dur has good knowledge of the operational challenges and difficulties facing investors and hotel owners, and so it offers integrated solutions for hotel operation and management, including design, engineering, pre-opening preparations, marketing, sales, revenue management, procurement and information technology. In addition, Dur has enormous capabilities for attracting

efficient and skilled professionals for hotel operation, and providing them with appropriate training and development.

Hotel Operation Department is characterized by its keenness to establish and apply sustainability and green building standards for all Makarem hotels which represent a paradigm shift in this field in KSA.

2-4

Information Technology

Information Technology Department in Dur Hospitality is responsible for providing the technological requirements that ensure facilitated and easy business process. This includes all matters relevant to technological infrastructure, like main servers, networks, backups, computers, printers, and security of the systems that manage the Company's resources, minimizing the human intervention to reduce errors and proceeding with the development of these systems to be in line with the Company's expansion strategies.

Throughout 2016, Dur Hospitality completed a number of major projects including:

1. Completion of phase 1 of resource planning system, including primary and secondary programs as follows:
 - Finance
 - Human resources
 - Project management
 - Procurement management
 - Real estate development
 - Asset management

2. Establishment of sister companies including:
 - Annakheel Village Resorts Co.
 - Tabuk Hotels Company
 - Makkah Hotels Company
 - Makarem Al Maarifa Hospitality Company
 - Al Sawaed Al Karima Company
 - Joud Al Alya'a Company
 - Al Masdar Al Amny Company
3. Completion of designing and implementing a system for ensuring the sustainability of the Company's systems and their recovery in case of disasters.

4. Completion of automating a number of Human Resources Department services, like: leave

request, business trip requests, employee letters, and loan requests, in addition to other services included in Phase 1. Other procedures and services are currently automated in Phase 2.

In 2017, the Information Technology Department's efforts will focus on a number of projects, including:

1. Intercompany automated integration
2. Investment management program development
3. Application of personnel affairs and salary calculation program in the Company's facilities
4. Development of procurement program in the Company's facilities to support central procurement control
5. Expansion of the features of project and procurement programs to maximize benefit

6. Completion of phase 2 of human resources service automation project

7. Automation of technical support system actions for Information Technology Department to be in line with the Company's developed information technology projects, after approving the new policies and procedures

8. Preparation of a unified guide for the various smart systems for the Company's hotels

2-5 Human Resources



Dur Hospitality considers its human resources as the cornerstone of its operations and the engine that drives its strategic plans. Throughout 2016, the Company focused on attracting and hiring the best national talents by recruiting 330 new employees. As part of its persistent efforts to develop its employees, Dur offered more than 6352 hours of training through 245 training programs. Many human resources' procedures and services have been transformed from paper-based to electronic, in order to offer the best and fastest services to our employees

Due to the importance of creating a stimulating work environment that encourages

innovation and creativity, Dur launched many initiatives and updated policies and procedures based upon employees' feedback and contributions. One of the significant plans to be implemented within the coming year to ensure continued HR support for our employees is to expand through hiring national talents, offering training opportunities to them and applying career development plans and succession plans for senior and key positions in the Company.

The Human Resources Department made considerable achievements in 2016 as follows:

330+

New Employees

245

Training Programs

6,352

Training Hours

First: Hiring and Saudization

Out of the belief in the major role of our human capital in achieving the Company's goals and plans, the Human Resources Department focused on setting new mechanisms to attract and hire the best national talents. The Company prepared "Attracting Talents Guide" which includes mechanisms to attract, select and hire the best available talents.

The Company also participated in adopting and supporting "Tahseen" Hospitality Training Program launched by Marriott International in partnership with many local companies. Tahseen program is designed to offer training and leadership skills development for Saudi Youth in a university specialized in hospitality for 1218- months, providing them with opportunities to apply the knowledge and competences they acquired in our hotels.

Second: Employee satisfaction survey

The Human Resources Department paid great attention to providing multiple communication channels with the employees, in order to create an ideal work environment that enables employees to deliver the best productivity and encourage creativity and innovation.

In doing so, the Company introduced "Dur's Workshops – Towards a Professional Work Environment" which are held quarterly and offer an opportunity to all employees to express their opinions and present suggestions transparently and openly with the aim of promoting the existing work environment to the highest professional levels.

Third: Human Resources Guides

The Human Resources Department updated and prepared an integrated guide of the human resources policies and procedures covering all human resources jobs and tasks, like hiring, training, performance measurement and development, as well as others. Furthermore, the Department prepared "Employee Handbook" to welcome and orient newcomers.

The Company worked throughout 2016 to complete phase 1 of "Professional Competences Guide" which shows the various levels of knowledge, competences and skills needed and excellence in different positions within the Company.

Moreover, the job descriptions were developed for senior and management positions.

Following is a list of the updated and prepared guides:

1. Human resources policies and procedures guide
2. Employee Handbook
3. Professional competences guide
4. Job description library
5. Employee compliance and conduct document





Fourth: Incentive systems

In addition to bonuses, short and long-term incentives, many initiatives were implemented in 2016 to encourage employees, including:

1. Rewarding employees' outstanding achievements with cash and in-kind awards;
2. Rewarding long-service employees with awards appropriate for the service duration
3. Employee of the month award in each department and sector
4. Participation of excellent employees from all the Company's facilities in Dur Annual Day

Fifth: Training and Development

Investment in human resources development and training is one of the important pillars of our business. In response to the ambitious and target expansion plans, the Company focused on training and qualification processes to build employees' competences and skills in leadership, management, supervisory and executive positions. In 2016, about 245 individual, group and on-the-job training programs were offered to all Company employees within nearly 6,352 training hours, compared to 3,478 and 2,250 training hours in 2015 and 2014 respectively.

The training programs covered all work areas and jobs, including technical, management, leadership, language, computer and technological programs.

Sixth: Knowledge sharing

Throughout 2016 we continued to hold internal workshops that contribute to knowledge and experience sharing among the Company's internal divisions. 10 workshops were held in 2016, which make the total number of workshops held since 2014 26 workshops tackling various topics related to work environment development and promotion, including the following:

- The seven habits of high-efficiency people
- Heritage hotel experience
- Investment Control Program ICP
- Dur's strategy
- The Road to Berlin to join International Hotel Investment Forum
- Transition to international financial reporting standards (IFRS)

Seventh: Automation and E-services

For more efficient and effective HR management, automation was at the heart of many procedures and services offered to the employees. Several service applications have been turned from soft copy to hard copy format including: Leave applications, work travel applications, employee letters, loan applications, etc.

This is the first phase of automation. The remaining procedures and services will follow in the next stage.

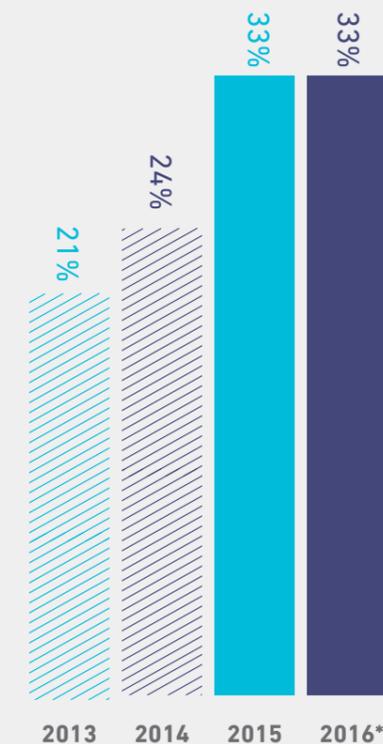


Forward Looking

During the coming year, we will strive to build on 2016 achievements and add further specific activities and services, as we aim to:

- Reach a Saudization ratio of 35% by the end of 2017
- Expand employees' training and qualification using a broader training program portal
- Continue to prepare job descriptions for supervisory, executive and service positions
- Continue the automation of human resources processes and add more self-administered e-services for employees
- Continue to hold Dur's workshops "Towards a Professional Work Environment" and launch further initiatives identified through employee participation, in order to achieve a better level regarding "The Best Work Environment" survey
- Apply career development plans and succession plans for key positions

Saudization ratios during the last four years



* For regulatory purposes and in compliance with the amendments to work laws and systems, some commercial registers have been separated from Dur's main register; which led to a stable Saudization ratio, despite the high Saudization ratio in companies in general.

2-6 Social Responsibility

Durna Program for hosting charity events

As part of Dur Hospitality's responsibility towards the community, Dur's hotels hosted a number of events held under Durna program in support of various humanitarian, social and charity issues. Durna aims to strengthen its relations with non-profit charity and social foundations across the KSA and to provide them with the necessary support and help them focus on achieving their goals. The following events were held in 2016:

1. Oceaniat 4 Forum

An initiative to build connectivity between innovative minds and investors and offer an opportunity to entrepreneurs to exhibit their technological projects through mobile applications. The event was held in Makarem Riyadh Hotel with a large turnout which proves the event's success to attract those interested in this field.

2. A workshop supporting Saudi women's marketing and economic culture

Dur Hospitality sponsored the "Raising Commercial Awareness and The Marketplace Entry Strategy" workshop in collaboration with Foundation, which was held at the Courtyard Hotel Riyadh. The workshop was designed to guide women who have products and small projects and women who have talents to invest commercially to promote their leadership skills, enabling them to work effectively in a competitive environment at the local and regional level.



3. DSCA Children in the National Day

In celebration of the Saudi National Day, Dur Hospitality received children from Down Syndrome Charitable Association (DSCA) in Marriott Riyadh Hotel. The children enjoyed the events and entertainment activities.

4. Sponsorship of Successful Volunteerism Experience Forum

Dur Hospitality participated in the Successful Volunteerism Experience Forum as the golden sponsor. The Forum was held on the same date as the International Volunteer Day. Dur's sponsorship of the event aims to spread and establish the culture of volunteering among individuals and groups in KSA. This sponsorship is part of the sustainability and social responsibility programs adopted by the Company that makes great efforts to promote volunteering in the KSA.



Linens for Livelihood Initiative

Dur Hospitality launched "Linens for Livelihood" initiative, where Dur Hotels donate used linens, towels, bed sheets, pillows, blankets and sheets to charities caring for needy and poor people, with part of the textiles given to animal welfare associations.

The Blessing Box

As an embodiment of the value of volunteering in the Company, employees of Dur Hospitality HQ volunteered to pack 172 boxes, each including 14 major food items to be given to the needy families in Ramadan.



2-6 Social Responsibility

Dur participates in “Live and Give” Program

Dur Hospitality signed a cooperation agreement with Disabled Children Association to implement “Live and Give” Program which aims to call on guests of Dur hotels to contribute to supporting the DCA’s mission and charity programs. This agreement is the first step for a charity partnership between the DCA and Dur, as part of the services offered by the Association to these society groups. The Association also mobilizes support and contributions to implement various projects that are in line with the desire of the Company’s officers to support the DCA activities with the means available under the agreement.



Grace Conservation Initiative

Dur Hospitality applied mechanisms for preserving and using leftovers according to the international quality and safety standards in collaboration with a number of specialized associations like the Saudi Food Bank “Ita’am”. This initiative comes to emphasize Dur’s keenness to fulfill its social contribution regarding the use of leftovers and raising awareness of the proper handling of food, preserving it for optimum use and disposal in a more beneficial way.



“Benea” Summer Trip

A trip organized by Benea and designed to achieve a set of goals that help raise our children and make them able to depend on themselves, bear responsibility and look forward to building the future. The trip included many stops, where Dur Hospitality received the orphans and trip organizers in Riyadh Palace Hotel and Makarem Ajyad Makkah Hotel.



Blood Donation Campaign

Dur Hospitality continued the blood donation campaign in collaboration with King Faisal Specialist Hospital at the Company’s HQ. Dur organizes a blood donation campaign each year in the HQ and a number of its hotels.

Dur hospitality and Ensan Organization in a community partnership

Dur Hospitality entered into a community partnership with the Orphan Care Charity Organization “Ensan”, under which Dur sponsors and supports the events held by the Charity by making the Company’s facilities available. For more efficient non-profit sector, Dur will employ its expertise in the field of investment to offer counsel to the Organization, achieve optimum use of the Organization’s resources, prepare feasibility studies to ensure sustainability of the Organization’s work and maximize revenue for beneficiaries.



Financial Statements and Business results

- 3-1 Financial Results for the last five years
- 1 Statement of income for the last five years
- 2 Statement of assets and liabilities for the last five years
- 3 Statement of change to equity for the last five years
- 3-2 Loans
- 3-3 Key activities contributing to revenue
- 3-4 Geographical distribution of revenue
- 3-5 Due statutory payments
- 3-6 Dividends Policy
- 3-7 Risks

03

3-1 Financial Results for the last five years

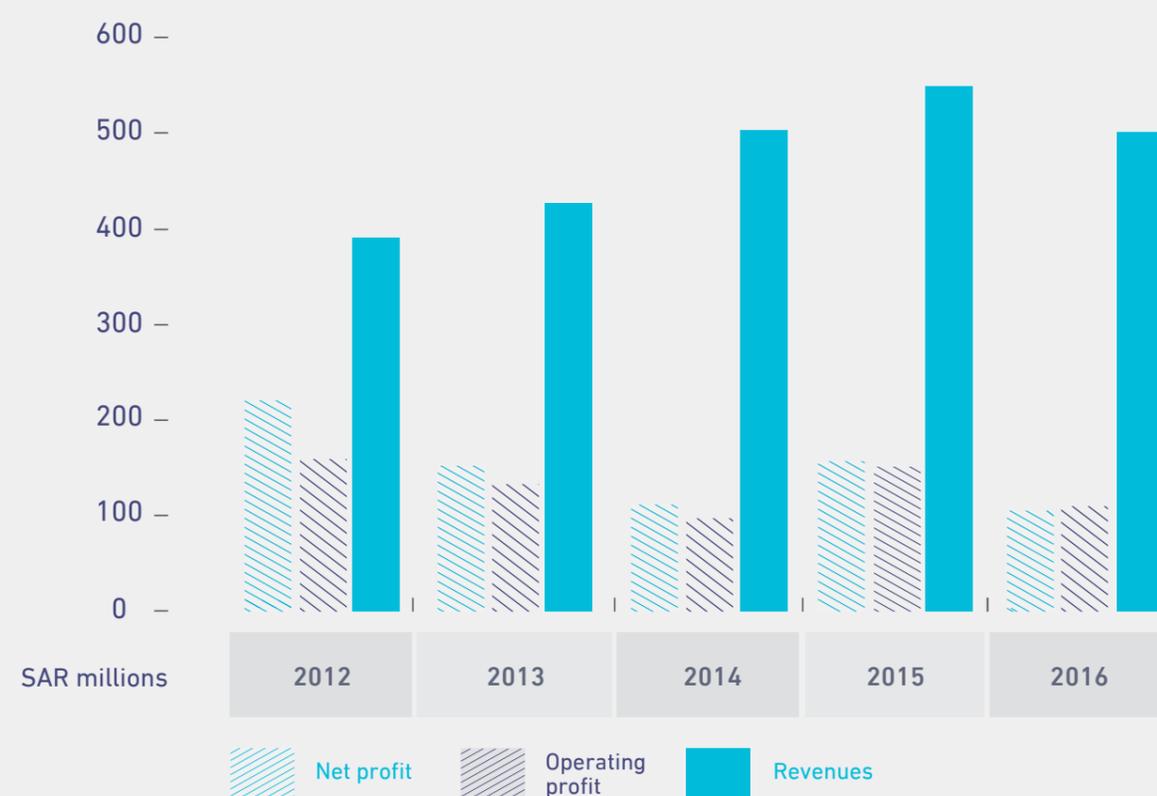
3.1.1 Statement of income for the last five years

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

Description (SAR '000)	2012	2013	2014	2015	2016	Change 15/ 16	Change % 15/ 16
Revenues	396,103	432,438	497,548	532,620	499,213	(33,407)	-6.3%
Cost of revenues	(235,080)	(294,055)	(312,078)	(353,421)	(351,714)	1,707	-0.5%
Gross profit	161,023	138,383	167,470	179,199	147,499	(31,700)	-17.7%
General & administrative expenses	(17,000)	(19,114)	(31,567)	(35,863)	(37,463)	(1,600)	4.5%
Sales and marketing expenses	-	-	(588)	(1,195)	(1,509)	(314)	26.3%
Impairment of property and equipment	-	-	(49,733)	-	-	-	-
impairment of available-for-sale investments	-	-	-	(2,411)	-	2,411	-100.0%
Income from investments in equity accounted investees	5,986	11,903	6,943	2,808	(1,727)	(4,535)	-161.5%
Realized gains from sale of investment in securities held for trading	-	-	-	-	6,917	6,917	-
Operational profit	150,010	131,173	92,525	142,538	113,717	(28,821)	-20.2%
Income from disposal of investments in equity accounted investees	-	-	-	893	-	(893)	-100.0%
Income from acquisition	-	-	-	1,563	-	(1,563)	-100.0%
Other revenues	57,768	18,792	19,667	8,419	4,557	(3,862)	-45.9%
Net profit before Zakat and non-controlling interests	207,778	149,965	112,192	153,413	118,274	(35,139)	-22.9%
Provision for Zakat	(8,011)	(6,630)	(8,052)	(5,421)	(4,984)	437	-8.1%
Net profit before non-controlling interests	199,768	143,335	104,140	147,992	113,290	(34,702)	-23.4%
Share of non-controlling interests in net profits of Subsidiaries	(90)	(314)	(373)	(1,162)	406	1,568	-134.9%
Net profit	199,676	143,021	103,767	146,830	113,696	(33,134)	-22.6%

The Board of Directors approved the final financial results of the Company for 2016, with a decrease in activity revenues to approx. SAR 499.2 million, down by SAR 33.4 million (6.3%) from the previous year 2015.

Net Operating Income for 2016 was approximately SAR 113.7 million, with a decrease of SAR 28.8 million (20.2%) from 2015.



Net profit has decreased to approx. SAR 113.2 million in 2016, down by 22.9% compared to 2015, as a result of the decrease in revenue of some of the Company's facilities given the low demand for hotel sector by business sector. Other factors resulting in such decrease include the affected Umrah and pilgrimage market, high general and administrative expenses to meet the needs of future plans, as well as other revenue decrease in this year. In addition, 2015 included adding SAR 2.4 million to the income statement, which constitute proceeds resulting from setting the fair value of the acquisition of additional shares in the Saudi Hotel Services Company which took place in 2015.

3.1.2 Statement of assets and liabilities for the last five years

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

Description (SAR '000)	2012	2013	2014	2015	2016
Total current assets	297,541	306,078	408,692	334,281	315,774
Total non-current assets	206,661	264,986	303,608	295,185	413,413
Net property and equipment	1,543,490	1,535,318	1,424,467	1,648,075	1,683,442
Total assets	2,047,692	2,106,382	2,136,767	2,277,541	2,412,629
Total current liabilities	197,294	178,228	209,284	204,559	251,754
Total non-current liabilities	54,258	123,295	144,252	238,788	336,418
Total liabilities	251,552	301,523	353,536	443,347	588,172
Total shareholders' equity	1,789,056	1,801,209	1,779,270	1,796,162	1,786,986
Non-controlling equity	7,084	3,650	3,961	38,032	37,471
Total liabilities and equity	2,047,692	2,106,382	2,136,767	2,277,541	2,412,629
Percentage of equity to assets	87%	86%	83%	79%	74%

3.1.3 Statement of changes in shareholders' equity

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

Year	Equity (SAR '000)	Increase (decrease)	Change %
2016	1,786,986	(9,176)	-0.5%
2015	1,796,162	16,892	0.9%
2014	1,779,270	(21,939)	-1.2%
2013	1,801,209	12,153	0.7%
2012	1,789,056	82,486	4.8%

3-2 Loans

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

Description	Total loan amount	Total payments received from the loan	Received from the loan during the year	Total installments paid in 2016	Total repayments	Balance at the end of 2016	Due payments during 2017	Note
Governmental loans	80,000,000	80,000,000	-	5,000,000	80,000,000	-	-	Repayment done in 1438H
Loans from local banks (Islamic (Murabaha)	609,200,000	324,894,535	127,894,535	6,219,636	9,329,453	314,892,860	22,422,123	Repayment will be effected on installments during a period of 7 - 10 years Starting 2016
Total	689,200,000	404,222,304	127,894,535	11,219,636	89,329,453	314,892,860	22,422,123	

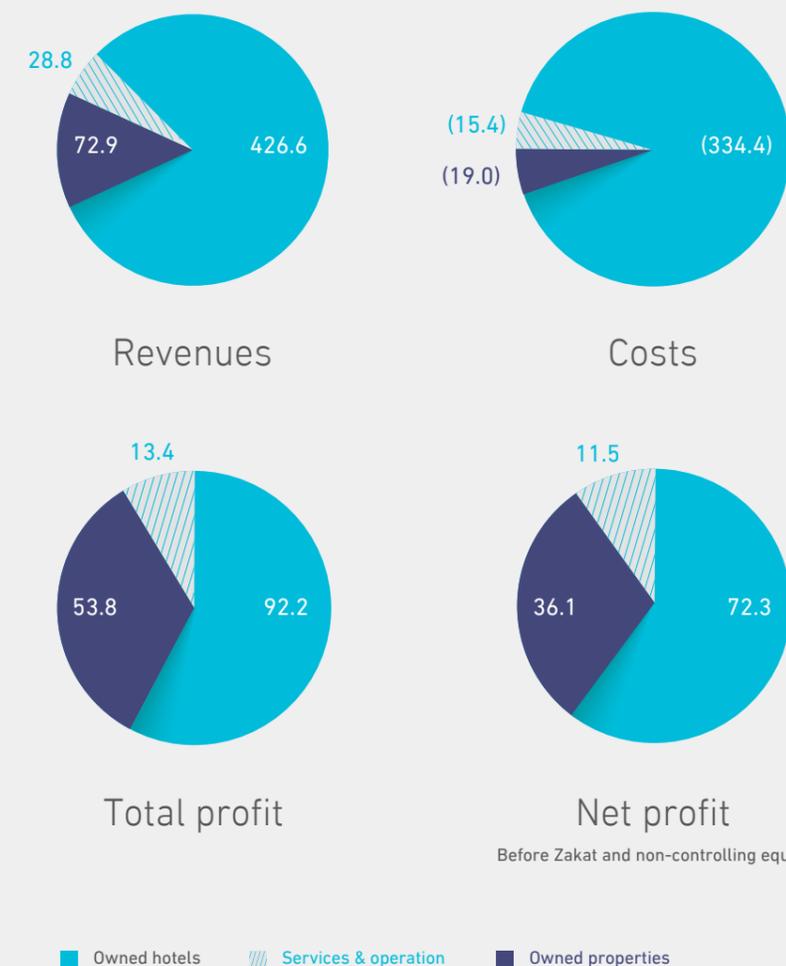
3-3

Key activities contributing to revenue

The table below shows the contribution of the three main activities in the total revenues of the company as well as other related aspects during 2016:

(Description)(SAR '000)	Owned hotels	Owned properties	Services and operation	Other	Exchanged transactions	Total
Revenues	426,578	72,862	28,814	600	(29,641)	499,213
Costs	(334,380)	(19,042)	(15,390)	(13,266)	30,364	(351,714)
Gross profit	92,198	53,820	13,424	(12,666)	723	147,499
Net profit before Zakat and non-controlling interests	72,278	36,077	11,548	295	(1,924)	118,274

Figures are in SAR millions



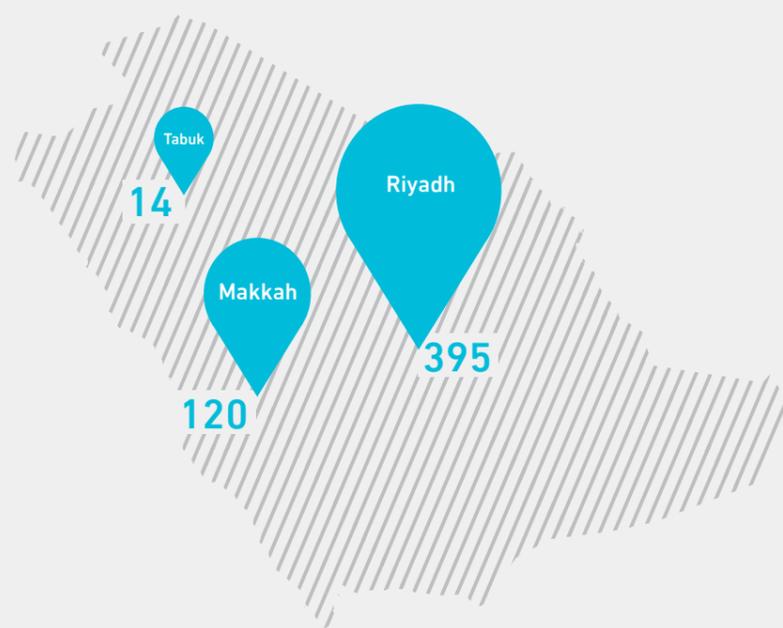
3-4

Geographical distribution of revenues

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

Region (SAR '000)	Revenues
Riyadh	394,572
Makkah	120,330
Tabuk	13,952
Total	528,854
Exchanged transactions	(29,641)
Total (net)	499,213

Revenues by region (SAR millions)



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

3-5

Statutory payments due

The following table outlines the Due statutory payments by the Company and its subsidiaries as on the end of 2016:

Description	Dues as on the end of the year
Social insurance contributions	474,565

The company and its associate companies are subject to Zakat according to the regulations of the Department of Zakat and Income Tax (DZIT) in Saudi Arabia. The Zakat provision is recognized on annual basis and charged to the income statement at the end of each year, after being audited by a chartered accountant. Zakat provision for the company and its affiliates for the year 2016 was SAR 4,983,011.

The company and its affiliates are submitting their zakat declarations independently based on financial statements of every company. Dur Hospitality has provided its Zakat declarations to DZIT until the end of the fiscal year 2015. The subsidiaries have not been able to pay their dues until the fiscal year 2015 due to the request of some documents by DZIT, which the company is working to satisfy. The Zakat due on the subsidiaries and still pending until the fiscal year 2016 amounted to SAR 4,594,935.

3-6

Dividends Policy

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

- Set aside the determined Zakat;
- 10% of the net profits shall be withheld to form a statutory reserve. The Annual General Assembly may discontinue this withholding of the net profits when the said reserve reaches half of the paid-up capital. The balance of the reserve has reached 50% of the capital;
- 5% of the net profit shall be set aside to form an additional reserve allocated for maintenance works and other purposes as

may be determined by the Board of Directors. This provision may be discontinued when the served amount reaches one-tenth of the company's capital. The balance of this reserve has reached more than 10% of the capital;

- Part of the remaining balance shall be distributed among the Shareholders as an initial payment which shall represent 5% of the paid-up capital; and
- An amount of the remaining funds shall be used to reward the company's Board Members as permitted by the regulations of the competent authorities. The remaining shall be entirely or partially distributed among the Shareholders as an

additional share in the profits or carried forward to other years.

2. As the Company is keen to reward its shareholders and meet their expectations, and in light of the company's impressive growth and expansion, the Board of Directors has decided to distribute dividends among shareholders for the first half of 2016 at 45 Halala per share, totaling to SAR 45 million. The board recommended in its meeting held on 07 /02/ 2017 to distribute 45 Halala per share for the second half of 2016 totaling to SAR 45 million. This brings the total amount of dividends proposed to be distributed in 2016 to SAR 90 million, representing 9% of the Company's capital after obtaining approval of the Shareholder Meeting on the date to be announced later on Tadawul website.

The following table outlines the net profits for the last 5 years and the cash dividend distributions:

Year	Net profit (SAR)	Cash dividends (SAR)
2016	113,696,429	90,000,000*
2015	146,829,645	120,000,000
2014	103,989,443	120,000,000
2013	143,020,655	120,000,000
2012	198,869,434	150,000,000

* Subject to the approval of the Shareholders' General Assembly

3-7

Risks

In the ordinary course of any business, the financial position of the company is routinely subject to a variety of risks. The potential risks that may be facing Dur are as follows:

Risks Related to Market and Nature of Business

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

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

Interest Rates Risks

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

Liquidity Risks

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

Credit Risks

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

Currency Rate Fluctuations

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



Disclosures and Transparency

4-1 Subsidiaries and Affiliates

4-2 Disclosures

4-3 Results of the annual review of the
efficiency of internal control

4-4 Governance

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4-6 Board Committees

4-7 Executive Management

4-8 Transactions with Related Parties

4-9 Major Shareholders

4-10 Application of International Accounting
Standards

04

Transparency and Disclosure

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

4-1 Subsidiaries and Affiliates

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

The following table shows the investees of Dur Hospitality:

Affiliate	Main activity	Incorporation year	Capital (SAR)	Affiliate-owned facility	Dur contribution %	Total revenues 2016 (SAR)
Makkah Hotels Co. Ltd	Hotel	1982	165,600,000	Makarem Ajjad Makkah Hotel	99.44%	77,083,952
An Nakheel Company for Tourist Areas	Hotel – real estate	1992	59,250,000	Makarem Annakheel Village Jeddah	98.73%	43,353,343
Tabuk Hotels Co. Ltd	Hotel	1985	27,300,000	Holiday In Hotel Tabuk	97.14%	13,977,799
Saudi Hotel Services Company	Hotel	1976	70,000,000	Riyadh Palace Hotel - Riyadh	70%	25,139,271
National Company for Tourism	Hotel – real estate	1989	422,000,000	A Number of premises in Aseer	1.65%	Preparation of final accounts has not been completed yet
Makarem Al Maarifa Hospitality Co, Ltd	Real estate	2012	21,400,000	Establish a hotel in Medina	50%	These affiliates have not generated revenues yet
Security Source Co, Ltd	Security and safety	2015	100,000	-	95%	
Joud Al Alya'a Co, Ltd	Buildings and construction	2014	100,000	-	99%	
Al Sawaed Al Karima Company	Provision of supporting services	2015	100,000	-	99%	
Saudi Heritage Hospitality Company (Nuzul)	Hotel	2015	62,500,000	Samhan Hotel – under design	25%	
Al Madinah Hotels Co, Ltd	Hotel – real estate	1983	1,000,000	-	50%	Under liquidation
Media Marketing Services Co	Marketing, promotion, public relations	1996	2,000,000	-	25%	

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

4-2 Disclosures

All relevant information related to its business activities and financial results in full transparency.

Below is an outline of such disclosures:

The board acknowledges that:

- The charts of accounts have been properly prepared.
- The internal control system is sound and has been effectively implemented.
- There is no doubt that the Company is able to proceed with its ongoing business.
- No deviation from SOCPA standards except for evaluation of the investments of the Media Marketing Services Company that went into liquidation.
- The company has not received any communication regarding any interest in voting shares belonging to people (other than members of the Board of Directors and senior executives and their relatives) informing the company of such rights under Article 45 of CMA's Listing Rules.
- The company has no convertible debt instruments, contractual securities, subscription right memoranda, or similar rights given or granted by the Company during the financial year.
- There were no convertible or subscription rights attached to the convertible debt instruments, contractual securities, subscription right memoranda, or similar rights issued or granted by the Company.
- There was no redemption, purchase or cancellation by the Company or its associates of any redeemable debts.
- There was no arrangement under which a member of the Board of Directors or a senior executive has waived his salary or compensation.
- There was no arrangement or agreement whereby any shareholder has waived any entitlement to profits.
- There were no specific investments or set aside reserves, established for the Company's employees except the provisions for end-of-service benefits as stipulated in the Saudi Labor Law. The provision for the end of service benefits for Dur's employees as on 31 December 2016 amounted to SAR 53,025,255.
- The chartered accountant didn't conceal any of the Company's annual financial statements.
- The Board of Directors has not recommended replacing the chartered accountant before the end of his designated period.
- No penalties, sanctions or precautionary restrictions have been imposed on the company by any regulatory, supervisory or judicial bodies during the fiscal year 2016.

4-3 Results of the annual review of the efficiency of internal control

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

The Company has an Internal Audit Department to ensure the application of appropriate control systems and identify the risks that the company might encounter and how to deal with

them in transparency. The Internal Audit Department also verifies the company's various transactions according to the approved audit plan, reviews all documents, transactions, and reports regularly to the Audit Committee and Board of Directors.

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

4-4 Governance

The company implements all the provisions of the Corporate Governance Regulations issued by the Capital Market Authority, except for the following:

.Article No	Article Text	Reason of Non-compliance
Article 6-B	In voting in the General Assembly for the nomination to the board members, the accumulative .voting method shall be applied	The accumulative voting method has not been applied upon voting to elect the Board members in its current tenure starting from 01 January 2016 because the Shareholders General Assembly has not approved this provision. Accumulative voting method will be applied upon voting to elect the Board Directors in its .upcoming tenure
Article 6-D	Investors who are artificial persons who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their .investments	Because this provision does not apply to the Company. In addition, no one of those legal persons provided the Company with any .notice on that regard in 2016
Article 12-I	A legal person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other .members of the Board of Directors	This provision does not apply to the company. All board members are elected through voting in the .General Assembly

4-5 Board of Directors

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

Name	Membership	Number of Shares Owned at the beginning of the year	Number of Shares Owned at the end of the year	Change	Membership in Other Joint-Stock Companies
Eng. Abdullah bin Mohammad Al-Issa (Chairman)	Non-executive	1,449	1,449	-	1. Riyadh Bank 2. SABIC 3. Arabian Cement Co. 4. Mobily
Dr. Saleh bin Ali Alhathloul	Independent	1,449	1,449	-	-
Eng. Fahad bin Abdullah Al-Sherif (Representative of the Public Investment Fund)	Non-executive	16,628,458	16,628,458	-	Saudi Heritage Hospitality Company (Unlisted)
Mr. Talal bin Abdul Mohsen Almulafikh (Representative of Public Pension Agency)	Independent	1,743,215	1,743,215	-	National Company for Tourism (Unlisted)
Mr. Nasser bin Mohammad Alsebaiei	Independent	1,000	1,000	-	1. Bank Albilad 2. Mohammed Ibrahim Alsebaiei & Sons Company (Unlisted) 3. Akwan Real Estate Company (Unlisted) 4. Argan Projects Company (Unlisted)
Mr. Abdullah bin Mohammad Alabduljabbar (Representative of the General Organization for Social Insurances)	Non-executive	6,540,591	6,540,591	-	-
Mr. Bader bin Abdullah Alissa	Non-executive	1,485	1,485	-	1. Savola Group 2. Banque Saudi Fransi 3. Almarai 4. Savola Food Company (Unlisted) 5. United Sugar Company (Unlisted) 6. Panda Retail Company (Unlisted) 7. Assilah Investment Co (Unlisted)
Mr. Fahad bin Abdullah Al Qassim	Independent	1,100	1,100	-	1. Dallah Health Services Company 2. Jarir Marketing Co. 3. Savola Group 4. Bank Albilad 5. Naqel Express (Unlisted) 6. Dr. Mohammad Rashid Al Faqih and Partners (Unlisted) 7. Fahd bin Abdullah bin Abdulaziz al-Qasim and Sons Company for Trade and Investment (Unlisted) 8. Saudi Heritage Hospitality Company (Unlisted) as representative of Dur
Mr. MUSAAB bin Suleiman Almuhaideb	Independent	1,000	1,000	-	1. Several companies from Al-Muhaidib Group (Unlisted) 2. Goldman Sachs Saudi Arabia (Unlisted) 3. Masdar Company for building materials (Unlisted) 4. Al Hassan Ghazy Ibrahim Shaker Company 5. Middle East Paper Company (MEPCO)

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

Board of Directors Meetings' Record

There were six meetings of the Board of Directors during 2016. The following table depicts the members' attendance to these meetings:

#	Name	Meeting 1 15/2/2016	Meeting 2 29/3/2016	Meeting 3 21/4/2016	Meeting 4 14/6/2016	Meeting 5 20/9/2016	Meeting 6 25/12/2016	Total
1	Eng. Abdullah bin Mohammad Al-Issa	✓	✓	✓	✓	✓	✓	6
2	Dr. Saleh bin Ali Alhathloul	✓	✓	✓	✓	✓	✓	6
3	Eng. Fahad bin Abdullah Al-Sharif (Representative of the Public Investment Fund)	✓	✓	✓	✓	✓	✓	6
4	Mr. Talal bin Abdul Mohsen Almulafikh (Representative of Public Pension Agency)	✓	✓	✓	✓	✓	✓	6
5	Mr. Nasser bin Mohammad Alsebaiei	✓	✓	✓	✓	✓	✓	6
6	Mr. Abdullah bin Mohammad Alabduljabbar (Representative of the General Organization for Social Insurances)	✓	✓	✓	✓	✓	✓	6
7	Mr. Bader bin Abdullah Alissa	✓	✓	✓	✓	✓	✓	6
8	Mr. Fahad bin Abdullah AlKassim	✓	✓	✓	✓	✓	✓	6
9	Mr. Musaab bin Suleiman Almuhaidib	✓	✓	✓	✓	✓	✓	6

Board Remunerations

The total compensation paid to members of the Board for attending the Board meetings and related committees' meetings in 2016, as well as their remuneration for the fiscal year 2015 as approved by the Shareholders' General Meeting held during the year, is listed in the table below (amount in Saudi Riyals):

Name	Allowance For Attendance of Meetings	Bonus after Distribution of Dividends	Total
Eng. Abdullah bin Mohammad Al-Issa (Chairman)	27,000	200,000	227,000
Dr. Saleh bin Ali Alhathloul	39,000	200,000	239,000
Eng. Fahad bin Abdullah Al-Sharif (Representative of the Public Investment Fund)	42,000	200,000	242,000
Mr. Abdullah bin Mohammad Alabduljabbar (Representative of the General Organization for Social Insurances)	27,000	200,000	227,000
Mr. Talal bin Abdul Mohsen Almulafikh (Representative of Public Pension Agency)	42,000	200,000	242,000
Mr. Nasser bin Mohammad Alsebaiei	21,000	200,000	221,000
Mr. Bader bin Abdullah Alissa	39,000	200,000	239,000
Mr. Fahad bin Abdullah AlKassim	39,000	200,000	239,000
Mr. Musaab bin Suleiman Almuhaidib	27,000	200,000	227,000
Total	303,000	1,800,000	2,103,000

In 2016, an additional annual bonus of SAR 200,000 was paid to the Chairman of the Board for his efforts in serving the company. A lump sum bonus of SAR 50,000 for each member of the Board Committees of non-members of the Board was also distributed for the fiscal year 2015 as directed by the Board.

4-6 Board Committees

Nomination and Remuneration Committee

After elections of the Board Members for its current tenure, the Nomination and Remuneration Committee has been reformed as detailed below. The Committee held two meetings in 2016 and reported to the Board. The Annual General Assembly of Shareholders approved at the meeting held on 19/03/2013 the regulations and framework of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee consists of:

#	Name	Position	Meeting 1 10/2/2016	Meeting 2 20/12/2016	Total
1	Eng. Abdullah bin Mohammad Al-Issa	Chairman	✓	✓	2
2	Mr. Abdullah bin Mohammad Alabduljabbar	Member	✓	✓	2
3	Mr. Musaab bin Suleiman Almuheidib	Member	✓	✓	2
4	Mr. Fawzi bin Abdulrahman Bubshait	Member	✓	✓	2

Tasks of the Nomination and Remuneration Committee include:

- Recommending the nominations for to the Board of Directors membership by approved policies and criteria (e.g. excluding any person previously convicted of a crime involving moral misconduct).
- Reviewing annually the skills needed for the Board of Directors' membership and setting a description of capabilities and qualifications required for membership, including the time that a member needs to devote for the board's activities.
- Reviewing the Board of Directors' structure and recommending possible changes.
- Identifying weaknesses and strengths of the Board of Directors, and proposing solutions for the company's best interest.
- Ensuring the liberation of the independent members and the absence of any conflict of interest if the member serves on another company's board.
- Developing clear compensation and remuneration policies for directors and senior executives, keeping in mind the performance standards when setting these policies.

Audit Committee

After elections of the Board Members for its current tenure, the Audit Committee has been reformed as detailed below. The Committee held seven meetings in 2016. The General Assembly of Shareholders approved the regulations and framework of the Audit Committee at its meeting held on 19/03/2013.

The Audit Committee consists of:

#	Name	Position	Meeting 1 17/1/2016	Meeting 2 24/1/2016	Meeting 3 14/2/2016	Meeting 4 17/4/2016	Meeting 5 24/7/2016	Meeting 6 19/10/2016	Meeting 7 19/12/2016	Total
1	Eng. Fahad bin Abdullah Al-Sherif (Director)	Chairman	✓	✓	✓	✓	✓	✓	✓	7
2	Mr. Talal bin Abdul Mohsen Almulafikh (Director)	Member	✓	✓	✓	✓	✓	✓	✓	7
3	Mr. Ibrahim bin Salem Al-Rwais	Member	✓	✓	✓	✓	✓	✓	✓	7
4	Mr. Abdulrahman bin Saleh Al-Khalifi	Member	✓	✓	✓	✓	✓	✓	✗	6

Tasks of the Audit Committee include:

- Reviewing the annual financial statements of the Company and providing recommendation before discussing their contents with the Board of Directors.
- Revising accounting and financial policies of the Company and providing guidance before the Board of Directors' approval.
- Monitoring the effectiveness of the Company's risk mitigation procedures, and ensuring the Company's preparation for addressing these risks.
- Reviewing the Internal Audit system of the company and submitting a recommendation report to the Board of Directors to evaluate its efficiency.
- Ensuring the availability of the right methods to exploit the Company's resources and assets to serve its interests, ensuring the highest effectiveness of the Company's officers in using their authority
- Recommending an External Auditor and determining its fee in line with the External Audit regulations attached to the rules regulating the Audit Committee, and ensuring the External Auditor independence.
- Reviewing the reports and any remarks provided by the Company's external auditor on the financial statements and providing follow up on any pending issues; and reviewing the reports and remarks provided by the external regulatory bodies and providing opinion and information for the sufficient handling of these remarks.
- Supervising the internal audit function to ensure its efficiency in the implementation of work defined by the board and ensuring independence.
- Studying and reviewing applications for the position of Internal Audit Manager and deciding his remunerations, allowances and other benefits for the position. The Committee shall determine the most suitable candidate for the position. The committee shall have the right to terminate the current Internal Audit Manager, either due to resignation, disability or exemption, and raise the relevant recommendations in this regard to the Board of Directors.
- Acquiring assistance from any entity/person the committee sees suitable to help complete its work requirements, as well as defining their remuneration.

Investment Committee

After elections of the Board Members for its current tenure, the Investment Committee has been reformed as detailed below. The Investment Committee held six meetings in 2016. The Committee consists of:

#	Name	Position	Meeting 1 11/2/2016	Meeting 2 21/3/2016	Meeting 3 18/5/2016	Meeting 4 19/9/2016	Meeting 5 23/10/2016	Meeting 6 30/11/2016	Total
1	Mr. Fahad bin Abdullah AlKassim	Chairman	✓	✓	✓	✓	✓	✓	6
2	Dr. Saleh bin Ali Alhathloul	Member	✓	✓	✓	✓	✓	✓	6
3	Mr. Bader bin Abdullah Alissa	Member	✓	✓	✓	✓	✓	✓	6
4	Dr. Badr bin Hamoud Albadr	Member	✓	✓	✓	✓	✓	✓	6

Tasks of the Investment Committee include:

- Recommending the Company's investment priorities and developing criteria and standards for investment projects selection, in addition to recommending and working on their adoption and approval by the Board of Directors.
- Recommending or approving investment opportunities and acquiring and selling of property and land within the limits of the investment priorities.
- Reviewing the company's investment plans and submitting the necessary recommendations.
- Reviewing and evaluating on annual basis the effectiveness and thoroughness of the Investment Committee controls and requesting the approval of the Board of Directors on the proposed changes.
- Performing any other tasks as may be requested by the Board of Directors.

4-7 Executive Management

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

Senior Executives of the Company in 2016:

Name	Position
Dr. Badr bin Hamoud AlBadr	Chief Executive Officer (CEO)
Mr. Sultan bin Bader Al-Otaibi	VP Assets & Properties
Mr. Ahmed bin Mubarak Baharethah	Accounting Manager

Ownership of the Senior Executives, their wives and minor children in the company in 2016*:

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

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

Remunerations of the top five executives during 2016*:

Description	Amount (SAR)
Salaries and compensations	3,809,139
Allowances	1,333,199
Bonuses and incentives	2,064,561
Total	7,206,899

* CEO and CFO are among the five top executives.

4-8

Transactions with Related Parties

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

- 10-year management and operation contracts for Al Andalus Residence Compound, Makarem Umm Al Qura Hotel, Makarem Al-Bait Hotel, Al Rawdah

Residence Compound, Al-Jazirah Badr Compound and Dur Al-Yasamin Residential Compound, all of which are owned by Assila Investment Company, whose management members include the Chairman of the Board of Directors, Eng. Abdullah bin Mohammed Al-Issa and board member Mr. Badr bin Abdullah Al-Issa.

These are management and operation contracts according

to which the Company manages and operates such facilities in return for a specific percentage of the total revenues and the total operating profit of each facility.

The Company's fees generated from the management and operation of these facilities are totaling SAR 2,478,919 in 2016, compared to SAR 3,198,279 in 2015.

The following table shows the breakdown of those fees:

Description (SAR)	Contracting year	2015	2016
Al Andalus Residence Compound	1995	494,738	533,308
Makarem Umm Al Qura Hotel	2008	1,376,957	894,317
Al Rawdah Residence Compound	2010	471,496	356,875
Makarem Al-Bait Hotel	2008	366,619	203,601
Al-Jazirah Badr Compound	1998	488,469	490,818
Dur Al-Yasamin Compound*	2014	-	-
Total		3,198,279	2,478,919

* Dur Al-Yasamin Compound is still under soft opening and there are no amounts for transactions with it so far.

- Mr. Abdulrahman Abdullah Al-Duhaim, currently is the Board Secretary, owns 1% of Joud Al-Alyaa Company Ltd. capital, while Dur owns 99% of its capital.
- In 2008, an operation and management contract has been signed, for a term of 10 years to be automatically renewed, for Makarem Mina Hotel, owned by the heirs

of Sheikh Mohammed bin Ibrahim Al-Ghamdi (a major shareholder), who owns 5% of Dur Hospitality capital. The Company received an amount of SAR 930,176 in fees for management and operation in 2016.

- On 17 August 2016, Dur Hospitality signed two memoranda of understanding with Dar

Al-Hijrah Real Estate Development and Investment (owned by the Public Investment Fund, which is a related party), whereby Dur Hospitality will be operating two hotels at Dar Al-Hijrah project in Medina for 15 years starting from grand opening. Dar Al-Hijrah Real Estate Development and Investment will develop the two hotels within Dar

Al-Hijrah project, one of the developments proposed for the development of Medina, located 3 km to the southwest of the Prophet's Mosque.

- As "Assila Investment Company" and "Abdullah bin Mohammed Al-Issa and Sons Company" are among Dur's shareholders, it should be noted that Eng. Abdullah bin Mohammed Al-Issa (Chairman) and

Mr. Badr bin Abdullah Al-Issa (board member) have interests in "Assila Investment Company". Both of them have interest also in "Abdullah bin Mohammed Al-Issa and Sons".

The following table shows the change in share ownership of these two companies in 2016:

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

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

services to Nuzul for the development of its first project, Samhan Heritage Hotel in Dir'iyya, in order to benefit from the extensive experience of Dur in this area.

- Some members of the Board of Directors, or legal persons they represent, trade in some activities similar to those of the company (e.g. hotels and real estate). Under Article 8 of Corporate Governance Regulations issued by the Capital Market Authority, a license has been obtained from the Shareholders General Meeting on 29/03/2016 for one year and will be presented at the next shareholder meeting, for renewal according to the Corporate Governance Regulations. These individuals or legal persons are as follows:

- Assila Investment Company, whose management includes Chairman, Eng. Abdullah bin Mohammed Al-Issa, Board Member Mr. Badr bin Abdullah Al-Issa;
- Public Investment Fund;
- General Organization for Social Insurance;
- Public Pension Agency;
- Board Member Mr. Nasser bin Mohammed Alsebaiei;
- Board Member Dr. Saleh bin Ali Al-Hathloul;
- Board Member Mr. Fahad bin Abdullah Al-Qassim;
- Board Member Mr. Mus'ab Bin Suleiman Almuheidib.

4-9

Major Shareholders

Dur Hospitality Company has not received any notice of ownership during 2016 (from any person except the members of the Board of Directors and Senior Executives and their families and minor children whose details are indicated above), under Article 45 of the listing rules.

In any case, the following shareholders owned at least 5% of the Company's capital in 2016:

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

4-10

Applying the International Accounting Standards

According to the CMA circular dated 25/ 03/ 2014 the international accounting standards should be applied at once, after receiving approval from the Saudi Organization for Certified Public Accountants (SOCPA), to the financial statements prepared for the financial periods beginning on 01/ 01/ 2017 for the financial companies listed on the capital market. This means that the financial statements for the first quarter of 2017 of the listed companies in the capital market must be prepared in accordance with international accounting standards approved by the Saudi

Organization for Certified Public Accountants (SOCPA). We have initiated the project of application of the international accounting standards. The action plan, which was developed in conjunction with the project's external consultant, has been applied. Such action plan includes:

1. Diagnose the international standards which may affect the Company's financial and accounting reports.
2. Study and evaluate the impact of the changes resulting from deviation from the applicable information system.

3. Design, develop, and apply the transformation to international accounting standards.
4. Train staff within the relevant departments.
5. Issue financial and accounting reports of the Company in accordance with these standards, commencing from the first quarter of fiscal year 2016 for the purposes of analysis and comparison.
6. Adopt accounting policies to be consistent with the application of the IFRS.

Below are the details of amounts of transactions made with the related parties and the ensuing balances during the fiscal years ended on 31 December 2015 and 2016:

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

Name	Nature of transactions	Amount of transactions		Balance	
		2016	2015	2016	2015
Makarem Umm Al Qura Hotel	Services	10,305,666	2,255,967	2,568,033	78,743
.Makarem Al Maarifa Co	Services	1,090,109	715,340	1,667,076	712,231
Al Andalus Residence Compound	Services	659,815	743,879	983,228	164,145
Al-Jazirah Badr	Services	1,147,860	5,602,716	978,305	868,171
Al Rawdah Residence Compound	Services	1,850,927	1,340,920	354,277	15,405
Saudi Heritage Hospitality Company	Services	1,958,617	1,813,900	286,846	295,904
Assila Investment Company	Services	470,943	-	-	-
Total				6,837,765	2,134,599

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

Name	Nature of transactions	Amount of transactions		Balance	
		2016	2015	2016	2015
Makarem Al-Bait Hotel	Services	2,962,225	6,413,625	2,847,223	4,107,424
.Madinah Co. Ltd	Acting expenses	1,825,027	960,000	13,327,063	2,960,235
Makarem Mina Hotel	Services	862,460	2,618,123	1,607,549	2,273,114
Al-Jazirah Riyadh Compound	Services	545,517	2,358,263	382,536	545,518
Total				18,164,371	9,886,291

Independent Auditors' Report

To: The Shareholders

Dur Hospitality Company - A Saudi Joint Stock Company
Riyadh - Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Dur Hospitality Company – a Saudi Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”) which comprise the consolidated balance sheet as at 31 December 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes (1) through (28) which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and the Company's bylaws and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements taken as a whole:

- 1) present fairly, in all material respects, the financial position of Dur Hospitality Company and its subsidiaries (“the Group”) as at 31 December 2016, and of its results of operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

Riyadh on: 12 Jumada' I 1438H
Corresponding to: 9 February 2017



Khalil Ibrahim Al Sedais
License No.: 371

CONSOLIDATED BALANCE SHEET

As at 31 December 2016 (Saudi Riyal)

ASSETS	Note	2016	2015 (restated – Note 13)
Current assets			
Cash on hand and at banks	(4)	188,460,042	210,180,082
Trade receivables, net	(5)	66,747,009	72,247,311
Inventories	(6)	26,596,735	28,312,599
Prepayments and other current assets	(7)	27,132,154	21,406,454
Due from related parties	(8-1)	6,837,765	2,134,599
Total current assets		315,773,705	334,281,045
Non-current assets			
Investments in equity accounted investees	(9)	30,436,391	32,163,858
Available-for-sale investments	(10)	7,000,000	46,241,691
Property and equipment, net	(11)	1,683,442,191	1,648,075,221
Projects in progress	(12)	375,977,222	216,779,541
Total non-current assets		2,096,855,804	1,943,260,311
Total assets		2,412,629,509	2,277,541,356
Liabilities and equity			
Current liabilities			
Current portion of long-term loans	(15)	31,500,000	9,294,281
Trade payables		21,338,694	14,770,828
Accrued expenses and other current liabilities	(14)	115,446,302	99,897,810
Dividend payables		47,387,944	53,366,488
Due to related parties	(8-2)	18,164,371	9,886,291
Zakat provision	(16)	17,917,222	17,343,025
Total current liabilities		251,754,533	204,558,723
Non-current liabilities			
Long-term loans	(15)	283,392,860	188,923,680
Provision for employees' end of service benefits		53,025,255	49,864,190
Total non-current liabilities		336,418,115	238,787,870
Total liabilities		588,172,648	443,346,593
Equity			
Equity attributable to the Company's shareholders			
Share capital	(1-1)	1,000,000,000	1,000,000,000
Statutory reserve		500,000,000	500,000,000
Contractual reserve	(17)	143,002,490	143,002,490
Retained earnings		143,983,184	147,086,755
Unrealized gains on available-for-sale investments		--	6,073,039
Total equity attributable to Company's shareholders		1,786,985,674	1,796,162,284
Non-controlling interests		37,471,187	38,032,479
Total equity		1,824,456,861	1,834,194,763
Total liabilities and equity		2,412,629,509	2,277,541,356

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016

	Note	2016	2015 (restated)
Revenue	(18)	499,212,778	532,619,594
Cost of revenue	(19)	(351,713,870)	(353,420,876)
Gross profit		147,498,908	179,198,718
General and administrative expenses	(20)	(37,462,600)	(35,863,111)
Selling and marketing expenses		(1,509,105)	(1,194,844)
Realized gains from sale of investment in securities held for trading	(10-2)	6,917,327	--
Impairment of available-for-sale investments	(10-1)	--	(2,410,464)
Share of (losses)/income of equity accounted investees	(9)	(1,727,467)	2,808,140
Operating income		113,717,063	142,538,439
Income from disposal of investments in equity accounted investments		--	892,546
Income from acquisition	(13)	--	1,563,304
Other income	(21)	4,557,243	8,418,435
Net income before Zakat and non-controlling interests		118,274,306	153,412,724
Zakat provision	(16)	(4,983,911)	(5,420,873)
Net income before non-controlling interests		113,290,395	147,991,851
Share of non-controlling interest in the net profit of the subsidiaries		406,034	(1,162,206)
Net income		113,696,429	146,829,645
Earnings per share from:			
Net income	(22)	1.14	1.47
Operating income	(22)	1.14	1.43
Other income	(22)	0.046	0.084

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016	2015 (restated)
Cash flows from operating activities			
Net income before Zakat and non-controlling interests		118.274.306	153.412.724
Adjustments to reconcile net income to net cash flows generated from operating activities:			
Depreciation	(11)	54.731.863	54.004.007
Utilization of deferred expenses	(20)	2.487.732	2.487.732
Income from disposal of investments in equity accounted investees	--	--	(892.546)
Income from acquisition	--	--	(1.563.300)
Gains of sale of property and equipment	--	--	(1.126.089)
Provision for end of service benefits		10.196.742	7.971.663
Provision for doubtful debts	(5)	1.478.478	5.523.086
Provisions no longer required	(21)	(2.511.957)	(1.594.783)
Impairment of available for sale investments	(10-1)	--	2.410.464
Provision for slow moving inventories	(6)	610.000	1.027.206
Realized gains from sale of investment in securities held for trading	(10-2)	(6.917.327)	--
Unrealized gains from available for sale financial investments		(6.073.039)	--
Share of losses/(income) of equity accounted investees	(9)	1.727.467	(2.808.140)
		174.004.265	218.852.024
Changes in operating assets and liabilities:			
Trade receivables		6.021.825	(34.231.588)
Prepayments and other current assets		(5.725.700)	(2.323.671)
Due from related parties		(4.703.166)	804.884
Inventories		1.105.864	842.084
Trade payables		6.567.866	7.252.028
Accrued expenses and other current liabilities		16.060.449	(4.614.304)
Due to related parties		8.278.080	(924.117)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016	2015 (restated)
Changes in operating assets and liabilities:			
Proceeds from sale of investments in securities held for trading	(10-2)	46.159.018	--
Zakat paid		(4.409.714)	(4.752.404)
Provision for end of service benefits paid		(7.035.677)	(3.970.062)
Net cash flows generated from operating activities		236.323.110	176.934.874
Cash flows from investing activities			
Payments for purchase of property and equipment	(11)	(16.265.517)	(101.771.859)
Payments for projects in progress	(12)	(235.518.729)	(143.816.614)
Proceeds from disposal of equity accounted investments	(9)	--	4.608.140
Proceeds from sale of property and equipment		--	6.798.536
Net cash acquired from acquired subsidiaries	(13)	--	6.065.444
Net cash flows used in investing activities		(251.784.246)	(228.116.353)
Cash flows from financing activities			
Proceed from long-term loans	(15)	127.894.535	96.778.927
Repayment of long-term loans	(15)	(11.219.636)	(10.233.817)
Board of directors remuneration paid		(1.800.000)	(1.800.000)
Dividends paid for shareholders		(120.978.545)	(118.063.425)
Dividends paid for non-controlling interests		(155.258)	(162.160)
Net cash flows used in financing activities		(6.258.904)	(33.480.475)
Net decrease in cash and cash equivalents during the year		(21.720.040)	(84.661.954)
Cash and cash equivalents at the beginning of the year		210.180.082	294.842.036
Cash and cash equivalents at the end of the year		188.460.042	210.180.082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016 (Saudi Riyal)

Equity attributable to shareholders of the Company

	Share capital	Statutory reserve	Contractual reserve	Retained earnings	Unrealized gains	Total	Non-controlling interests	Equity
Balance at 1 January 2015	1.000.000.000	500.000.000	143.002.490	122.057.110	14.210.564	1.779.270.164	3.961.227	1.783.231.391
Net income for the year	--	--	--	144.373.794	--	144.373.794	1.162.206	145.536.000
Dividends	--	--	--	(120.000.000)	--	(120.000.000)	(162.160)	(120.162.160)
Unrealized losses on available-for-sale investments	--	--	--	--	(8.137.525)	(8.137.525)	(3.099)	(8.140.624)
Board of directors' remuneration	--	--	--	(1.800.000)	--	(1.800.000)	--	(1.800.000)
Share of non-controlling interest from carrying value in subsidiaries' share capital during the year (Note 13)	--	--	--	--	--	--	31.500.000	31.500.000
Balance at 31 December 2015 (before restatement)	1.000.000.000	500.000.000	143.002.490	144.630.904	6.073.039	1.793.706.433	36.458.174	1.830.164.607
Adjustments resulted from fair value of acquired subsidiaries during the period (Note 13)	--	--	--	2.455.851	--	2.455.851	1.574.305	4.030.156
Balance at 31 December 2015 (restated)	1.000.000.000	500.000.000	143.002.490	147.086.755	6.073.039	1.796.162.284	38.032.479	1.834.194.763
Balance at 1 January 2016	1.000.000.000	500.000.000	143.002.490	147.086.755	6.073.039	1.796.162.284	38.032.479	1.834.194.763
Net income for the year	--	--	--	113.696.429	--	113.696.429	(406.034)	113.290.395
Dividends	--	--	--	(115.000.000)	--	(115.000.000)	(155.258)	(115.155.258)
Board of directors' remuneration	--	--	--	(1.800.000)	--	(1.800.000)	--	(1.800.000)
Transfer of unrealized gains on investments to statement of income	--	--	--	--	(6.073.039)	(6.073.039)	--	(6.073.039)
Balance at 31 December 2016	1.000.000.000	500.000.000	143.002.490	143.983.184	--	1.786.985.674	37.471.187	1.824.456.861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016 (Saudi Riyal)

1. ORGANIZATION AND ACTIVITIES

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

The Company's name has changed to Dur Hospitality Company from Saudi Hotels and Resorts Company according to resolution of the Extraordinary General Assembly and approved by Ministry of Commerce and Investment on 18 Muharram 1436H (corresponding to 11 November 2014). The amended Commercial Registration has been issued under the new name of the Company on 27 Muharram 1436H (corresponding to 20 November 2014).

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

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "The Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has to amend its Articles of Association for any changes to align the Articles to the provisions of The Law. Consequently, the Company shall present the amended Articles of Association to the stockholders in their Extraordinary General Assembly meeting for their ratification. The full compliance with The Law is expected not later than 24/07/1438H (corresponding to 21 April 2017).

1.1 Share Capital

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

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

1.2 The consolidated financial statements

The consolidated financial statements include the financial statements of Dur Hospitality Company and its subsidiaries (collectively referred to as «the Group») in which the Company owns direct share in their equity that enables it to exercise control over them. These subsidiaries as at 31 December 2016 are as follows:

Name of the subsidiary	Capital	Shareholding %
Riyadh Company for Hotels and Entertainment LLC	302,500,000	100%
Gulf for Tourist Area Limited Company	206,000,000	100%
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:

Riyadh Company for Hotels and Entertainment Limited Company

Riyadh Company for Hotels and Entertainment Limited is a Limited Liability Company established in the Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1010099444 dated 3 Rabi I, 1413H (corresponding to 31 August 1992). The company's purpose is to construct, buy, rent and carrying out the management of residential, commercial and entertainment properties, hotels, restaurants, motels, guesthouses, tourist beaches and amusement parks.

Gulf for Tourist Area Limited Company

Gulf Tourist Area Limited Company is a Limited Liability Company established in the Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1010074800 dated 18 Jumada I 1410H (corresponding to 17 December 1989). The company's purpose is to construct, own, rent and sell of residential, commercial and leisure properties, hotels, restaurants, guesthouses, tourism beaches, guesthouses and gymnasiums.

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 Ajjad 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.

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. (31078413/) 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. (370096//F) dated 6 Safar 1437H.

2. BASIS OF PREPARATION

Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis of measurement

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

Comparative figures have been amended by allocating purchase price for the acquired assets and liabilities of the Saudi Company for Hotels Services (Note 13).

Functional and presentation currency

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

Use of estimates and judgments

The preparation of the consolidated financial statements requires the management to make judgment, estimates and assumptions which have an effect on the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the financial statements are as follows:

Useful lives of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

Impairment of trade receivables

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.

Impairment of available for sale investments

The management exercises judgment to calculate the impairment loss of available for sale investments. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. In case of equity instruments any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is <significant> and <prolonged> requires management's judgment. The management also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The accompanying consolidated financial statements comprise of the financial statements of the parent company and the subsidiaries as shown in Note (1.2) in which the Company owns controlling interest.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognized in assets, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

These consolidated financial statements include financial statements of subsidiaries, which have been prepared for the same reporting period of the Company, using consistent accounting policies.

Non-Controlling Interest (NCI)

Non-controlling interests represents the interests in subsidiaries, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interests parties are treated as transactions with parties external to the Group.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Company without any restrictions.

Business combination (Acquisition)

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the

acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. The excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill. If the cost of the acquired investee is less than its fair value as of the acquisition date, such difference is adjusted by reducing the fair values of the non-current assets of the acquired investee in proportion to their book values.

Impairment of non-financial assets

The carrying amount of property and equipment and other non-current assets is reviewed for evidence of loss due to impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses, if any, are recognized in the consolidated statement of income for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of estimated fair value less cost to sell or value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Trade receivables

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

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.

Investments

When applying the Group's accounting policies, the Group decides the appropriate classification of its investment. This classification reflects the management's intention in respect of each investment, and each class of relevant investment subjects to the accounting treatment related thereto, as follows:

Available-for-sale investments

Available for-sale-investments are not held for trading and Group has no significant influence or control. These investments are recorded initially and subsequently re-measured at fair value. Any changes in fair value are recorded in equity as a fair value reserve until the exclusion of those investments. Any significant and prolonged decline in the available for sale investments (if any) is recorded in the consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the consolidated balance sheet date. For investments where there is no active market, including investments in unquoted private equity, fair value is determined using valuation techniques.

Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models, otherwise the cost is considered to be the fair value for these investments.

Investment in securities held for trading

Investments in securities held for trading which are purchased for trading purposes are initially recognized at fair value then re-measured and recorded in balance sheet at fair value within current assets. Realized gains and losses from sale of securities held for trading and changes in fair value are charged to the consolidated statement of income.

Investments in equity accounted investees

Investment in these investees are accounted for using the equity method (equity accounted investee), which are initially recognized at cost including goodwill identified on acquisition. The Group's share in its investees' post-acquisition income and losses is recognized in the consolidated statement of income and its share in post-acquisition movements in reserves is recognized in the investee's equity. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealized gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in these investees. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the consolidated statement of income when incurred.

Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of individual item of property and equipment. The estimated useful lives of assets will be depreciated as follow:

	Useful life
Buildings	70 – 75 years
Improvements on buildings	5 years
Furniture	10 years
Vehicles	4 years
Devices and equipment	5 years

Projects in progress

Projects in progress represent the expenditure incurred by the Group in order to build and construct new facilities and equipment which are capitalized before the start of its commercial use. Projects in progress are transferred to the property and equipment when the asset is intended for use in its specific purpose.

Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

Borrowing costs

Borrowing costs are charged as finance charges in the consolidated statement of income during the year in which the Group have incurred such costs. If such borrowing costs are related to assets that are qualified for capitalization, then these costs are capitalized as part of the asset cost until the asset is ready to use.

Trade payables and accrued expenses

Trade payables are recognized based on the net payable amount or the expected payment for goods and services received whether billed or not by the supplier.

Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with the Saudi Arabian labor regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the present value of the vested benefits to which the employee is entitled should his service be terminated at the consolidated balance sheet date.

Zakat

Zakat is calculated in accordance with the regulations of the General Authority of Zakat and Tax (GAZT) in Saudi Arabia. Provision for Zakat is recognized in the consolidated statement of income. Any differences between provision made and final assessment are recorded in the year in which the final assessment is received from GAZT.

Revenue recognition

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

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

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

Revenue from hospitality

Revenue from hotel accommodation, food and beverage services and other related services are recognized after excluding discounts and fees for the municipality to the stage in which the provision of those services.

Management and operation fees

Management fees are calculated by an agreed rate according to the contract with the management of the owner companies.

Revenue from lease

Revenue from the lease are recognized on a straight-line basis over the period of the lease.

Expenses

Selling and marketing expenses are those arising from the Group's efforts underlying the marketing and selling functions. All other expenses, excluding cost of revenue, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

Statutory reserve

In accordance with its Bylaws, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 50% of its share capital. This Statutory Reserve is not available for distribution to shareholders.

Operating leases

Payments under operating leases are recognized in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the lease term.

Foreign currency transactions

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

Dividends

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

Earnings per share

Earnings per share are calculated from each of operation income, other income and net income for the year on the weighted average basis of outstanding shares during the year.

Segment reporting

Segments information of the Group is presented according to the business of the Group as well as the geographical distribution of its activities. The Group management in accordance with the internal reporting structure identifies business segments, which include hotels sectors, properties sector, services and operation sector.

Geographical segments are based on the geographical location of the Group's operations. The Group operates mainly in Makkah, Riyadh and Tabuk.

4. CASH ON HAND AND AT BANKS

	2016	2015 (restated)
Banks current accounts	87.570.257	150.726.583
Islamic Murabaha (4.1)	100.425.585	58.925.399
Cash on hand	464.200	528.100
	188.460.042	210.180.082

4.1 Islamic Murabaha represent Murabaha deposits with commercial banks at an average yield of 0.8%. The average maturity of those deposits ranges between 30 to 90 days.

5. TRADE RECEIVABLES, NET

	2016	2015 (restated)
Trade receivables	83.976.921	90.734.721
Less: provision for doubtful debts	(17.229.912)	(18.487.410)
	66.747.009	72.247.311

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

	2016	2015 (restated)
Balance at the beginning of the year	18.487.410	10.613.996
Provided during the year (note -20)	1.478.478	5.523.086
Provisions resulting from acquisition on subsidiaries	--	2.987.705
Reversal of provisions	(2.000.000)	-
Write-off bad debts	(735.976)	(637.377)
Balance at the end of the year	17.229.912	18.487.410

6. INVENTORIES

	2016	2015 (restated)
Linens and furnishings	6.081.898	7.054.773
Accessories and silverware	4.843.388	6.655.055
Kitchen tools and equipment	4.297.355	4.650.128
Operation supplies	2.666.088	2.771.064
Spare parts	2.792.886	3.796.680
Foods and beverages	5.260.402	2.645.145
Stationery and prints	955.472	1.273.696
	26.897.489	28.846.541
Less: provision for obsolete and slow-moving inventories	(300.754)	(533.942)
	26.596.735	28.312.599

Summary of the movement in the provision for inventories as at 31 December is as follows:

	2016	2015 (restated)
Balance at the beginning of the year	533.942	1.016.531
Provided during the year (Note 19)	610.000	1.027.206
Provisions resulting from acquisition on subsidiaries	--	222.352
Write-offs	(843.188)	(1.732.147)
Balance at the end of the year	300.754	533.942

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	2016	2015 (restated)
Advances to suppliers	8.468.567	4.061.484
Real estate contributions	5.383.841	5.383.841
Advance rents	4.445.939	4.099.634
Advance insurance	2.854.100	2.877.936
Prepaid fees and subscriptions	1.569.635	1.320.800
Staff housing allowances	1.436.353	1.429.421
Prepaid maintenance	1.277.489	1.128.022
Staff advances and deposits	1.252.831	1.050.610
Other current assets	693.399	304.706
	28.382.154	21.656.454
Impairment of other current assets	(250.000)	(250.000)
	27.132.154	21.406.454

8. RELATED PARTIES

During its ordinary course of business, the Group transacts with equity accounted investees and hotels or one of the shareholders that is a member of the Board of Directors of the Group (associated companies and hotels). 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 during the financial year ended 31 December are as follows:

8-1 Due from related parties

Related parties	Nature of transactions	Transactions amount		Balance	
		2016	2015	2016	2015 (restated)
Umm AlQura Makarim Hotel	Services	10.305.666	2.255.967	2.568.033	78.743
Makarim Al Marifa Company	Services	1.090.109	715.340	1.667.076	712.231
Andalusia Residence Complex	Services	659.815	743.879	983.228	164.145
Al Jazira Badr	Services	1.147.860	5.602.716	978.305	868.171
Al Rawdah Residence Complex	Services	1.850.927	1.340.920	354.277	15.405
Saudi Company for Heritage Hospitality	Services	1.958.617	1.813.900	286.846	295.904
Aseela Investment Company	Services	470.943	--	--	--
				6.837.765	2.134.599

8-2 Due to related parties

Related parties	Nature of transactions	Transactions amount		Balance	
		2016	2015	2016	2015
Makarim ALBait Hotel	Services	2.962.225	6.413.625	2.847.223	4.107.424
Al Madinah Limited Company LLC	Payment on behalf	1.825.027	960.000	13.327.063	2.960.235
Makarim Mina Hotel	Services	862.460	2.618.123	1.607.549	2.273.114
Aljazira Compound Riyadh	Services	545.517	2.358.263	382.536	545.518
				18.164.371	9.886.291

9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

	2016	2015 (restated)
Balance at beginning of the year	32.163.858	59,045,775
Additions (9.1)	--	16.032.500
(Losses)/income from investments during the year (9.2)	(1.727.467)	2.808.140
Investments transferred from associates to subsidiaries (9.3)	--	(43.191.859)
The Group's share in unrealized losses	--	(730.698)
Dividends	--	1.800.000
Balance at end of the year	30.436.391	32.163.858

9. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (CONTINUED)

(9.1) Additions in investments during the year ended 31 December 2015 represent mainly an amount of SR 15.9 million which represents a part of the Group's share in share capital of Saudi Hospitality Heritage Company (a closed joint stock company) which was formed during 2014, amounted to SR 62.5 million (represents 25% of the Company's share capital). The Group subscribed in shares of the Saudi Hospitality Heritage Company in which its share capital amounted to SR 250 million.

(9.2) Loss from investment during the year ended 31 December 2016 represent the Group's share in income and loss of the equity accounted investments. At 31 December 2015, income from investments represent the Group's share in income of the Saudi Hotel Services company which has no respective income in the year ended 31 December 2016 due to consolidation of the financial statements of the Company within the financial statements of the Group.

(9.3) After the Group acquired 30% of interest of Saudi Hotel Services Company, it has a controlling interest, based on which the financial statements have been consolidated as shown in Notes (1) and (13).

Investee companies are as follows:

Name of the company	%	2016	%	2015
		Investment value		Investment value
Saudi Hospitality Heritage Company	25%	15.937.500	25%	15.937.500
Makarim Al Ma'arifa Hospitality Co.	50%	9.856.601	50%	10.700.000
Al Madinah Hotels Company Limited	50%	4.142.290	50%	5.026.358
Media Marketing Services Company	25%	500.000	25%	500.000
		30.436.391		32.163.858

All the aforementioned companies are registered in the Kingdom of Saudi Arabia.

10. INVESTMENTS IN SECURITIES

(10-1) Available –for- sale investments

	2016	2015 (restated)
Balance at beginning of the year	46.241.691	62.860.618
Unrealized losses	--	(7.409.927)
	46.241.691	55.450.691
Impairment	--	(2.410.464)
liquidation of investment portfolio	--	(6.798.536)
Transfer to investment in securities held for trading	(39.241.691)	--
Balance at end of the year	7.000.000	46.241.691

(10-2) Investments in securities held for trading

	2016	2015
Balance at beginning of the year	--	--
Transferred from available-for-sale investments	39.241.691	--
Realized income	6.917.327	--
Sale of investments	(46.159.018)	--
Balance at end of the year	--	--

Based on the recommendation of Investment Committee in its meeting held on 12 Jumada II 1437H corresponding to 21 March 2016, and the meeting of the Board of Directors held on 20 Jumada II 1437H corresponding to 29 March 2016, it has been resolved to authorize the management for liquidate available for sale investments in stock market by the end of 2016. Therefore, available for sale investment have been reclassified in the consolidated financial statements into investment in securities held for trading.

11. PROPERTY AND EQUIPMENT, NET

	2016			
	Lands	Buildings	Improvements on buildings	Furniture
Cost:				
Balance at 1 January	727.818.069	1.214.173.634	38.876.752	239.217.556
Additions	--	--	3.683.491	4.752.942
Transferred from projects under progress	--	69.109.100	--	4.724.216
Disposals	--	--	--	--
Additions due to acquisition of a subsidiary	--	--	--	--
Balance at 31 December	727.818.069	1.283.282.734	42.560.243	248.694.714
Accumulated depreciation:				
Balance at 1 January	--	421.645.351	18.047.265	165.845.426
Charged for the year	--	29.387.739	5.834.096	11.353.704
Depreciation of disposals	--	--	--	--
Balance at 31 December	--	451.033.090	23.881.361	177.199.130
Net Book Value:				
31 December 2016	727.818.069	832.249.644	18.678.882	71.495.584
31 December 2015	727.818.069	792.528.283	20.829.487	73.372.130

Depreciation charged for the year ended 31 December as follows:

	2016	2015 (restated)
Cost of revenues (Note 19)	51.039.378	52.276.012
General and administrative expenses (Note 20)	3.692.485	1.727.995
	54.731.863	54.004.007

During 2016, the Group's management started a comprehensive study of the estimated useful lives for the Group's buildings using a specialist in this field. This study has not been completed as at the audit financial statements. Based on certain initial results reached from this study, the Group's management estimated that there is no significant adjustment to the useful lives applicable currently which range from 70 – 75 year.

	2016			2015
	Vehicles	Devices and equipment	Total	Total (restated)
	8.087.545	51.559.917	2.279.733.473	2.073.939.442
	--	7.829.084	16.265.517	101.771.859
	--	--	73.833.316	105.076.724
	--	--	--	(71.302.061)
	--	--	--	70.247.509
	8.087.545	59.389.001	2.369.832.306	2.279.733.473
	7.488.516	18.631.694	631.658.252	648.956.306
	325.006	7.831.318	54.731.863	54.004.007
	--	--	--	(71.302.061)
	7.813.522	26.463.012	686.390.115	631.658.252
	274.023	32.925.989	1.683.442.191	
	599.029	32.928.223		1.648.075.221

12. PROJECTS IN PROGRESS

	2016	2015 (restated)
Balance at beginning of the year	216.779.541	180.527.383
Additions during the year	235.518.729	143.816.614
Transferred to property and equipment (Note 11)	(73.833.316)	(105.076.724)
Amortization (Note 20)	(2.487.732)	(2.487.732)
Balance at end of the year	375.977.222	216.779.541

As at 31 December 2016, projects in progress represent mainly Darraq Project (Phase III and IV) in which their total cost until that date amounted to SR 157 million (2015: SR 130 million). Phase III of the project is expected to be completed in the first half of 2017 in addition to the renovation project of Alnakheel village amounting to SR 51.7 million (2015: SR 46 million). Moreover, Al Safarat district hotel project amounted to SR 63 million (2015: SR 13.4 million).

13. BUSINESS COMBINATION

On 27 Jumada' II 1436H, corresponding to 16 April 2015, the Group has acquired 10% of the share capital in the Saudi Hotel Services Company for cash consideration of SR 10.5 million. On 11 Rajab 1436H, corresponding to 30 April 2015 (date of acquisition), the Group has acquired an additional 20% of shares for cash consideration of SR 21 million. As a result of which, the Group's share in net assets of Saudi Hotel Services Company increased from 40% to 70%. Accordingly, the Group has consolidated Saudi Hotel Services Company as a subsidiary rather than treating it as an equity accounted investee.

The Group's management has completed the final fair value assessment of the assets and liabilities of Saudi Hotel Services Company (the acquired company) within the maximum measurement date of one year from the date of acquisition which was on 30 April 2015 as mentioned above.

As the acquired net assets were recognized using initial assessment and stated in the interim consolidated financial statements as at 30 June 2015, 30 September 2015, 31 March 2016 and the annual consolidated financial statements of the Group as at 31 December 2015. Accordingly, comparative figures presented in the accompanying consolidated financial statements have been restated by the final fair value assessment of the net assets acquired.

The following table illustrates the acquisition list, fair value of net assets acquired, non-controlling interest and the income from the acquisition:

	Recognized fair value on acquisition June 2015 (Final)
Assets:	
Property and equipment	71.955.119
Trade receivables	8.198.812
Prepayments and other current assets	1.153.271
Inventories	4.323.412
Cash on hand and at banks	37.565.444
	123.196.058

13. BUSINESS COMBINATION (CONTINUED)

	Recognized fair value on acquisition June 2015 (Final)
Liabilities:	
Payables and other current liabilities	11.227.719
Zakat provision	1.757.326
	12.985.045
Net acquired assets	110.211.013

	2016
Net acquired assets	110,211,013
Income from acquisition	(1,563,304)
Non-controlling equity	(33,063,304)
	75,584,405
Total cost of acquisition	
Cash consideration	31.500.000
Fair value of the Group's shares before acquisition listed based on equity method	44.084.405
Total	75.584.405

	2016
Cash flows on acquisition	
Cash acquired from the subsidiary	37.565.444
Cash consideration	(31.500.000)
Net cash flows	6.065.444

- Costs of acquisition amounted to SR 75,000 which were charged to general and administrative expenses in the consolidated financial statements for the period ended 31 December 2015.
- The Group has recognized an amount of SR 892,000 as an income from measurement of the fair value of the Group's shares before acquiring the Saudi Hotel Services Company.
- Revenue and profit included in the consolidated statement of income from 30 April 2015 up to 31 December 2015 of Saudi Hotel Service Company amounted to SR 22.3 million and SR 2 million, respectively. Further, revenue and losses included in the consolidated statement of income from 1 January 2016 up to 31 December 2016 amounted to SR 22 million and SR (3.8) million, respectively.
- Comparative figures adjustments for net income for the year, non-controlling interest and retained earnings as a result of completing the study for allocation purchase price of fair value for net assets of the acquired company:

	31 December 2015 (Before restatement)	Restatement	31 December 2015 (Restated)
Net income	144.373.794	2.455.851	146.829.645
Non-controlling interest	36.458.174	1.574.305	38.032.479
Retained earning	144.630.904	2.455.851	147.086.755

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2016	2015 (restated)
Revenue received in advance	46,277,224	31,514,165
Accrued staff salaries and benefits	24,178,957	21,668,138
Performance bond retentions	18,589,072	18,591,399
Due to governmental bodies (14-1)	9,186,651	9,186,651
Accrued rentals	7,409,950	7,029,866
Advances from customers	2,965,416	5,060,680
Accrued maintenance and utilities	2,927,728	2,098,384
Management fees due to international operating companies	2,174,414	2,834,650
Accrued insurance	289,449	985,410
Professional and consultancy fees	531,640	416,000
Accrued advertisement	413,008	219,103
Others	502,793	293,364
	115,446,302	99,897,810

(14-1) This balance includes an amount due to the Civil Aviation Authority (the owner of Makarem Riyadh Hotel) and consists of obligations to finance pre-opening expenses and revenue have not been supplied to the owner belong to the previous contract. It has not been agreed on a fixed schedule to settle this balance.

15. LONG-TERM LOANS

As at 31 December 2016, the Group has signed long-term financing agreements with Ministry of Finance and several local commercial banks to obtain financing in the form of financing, forward sale and Shariah-compliant Murabaha, with a total value of SR 371.9 million (2015: 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 banks as beneficiaries and waiving the proceeds of Darraq rentals (Phase II and III) with an annual value of SR 42.6 million along with the letter of undertaking to waive proceeds of the contracts for which the bank issues final letters of guarantee and /or letters of guarantee - advance payment.

The movement of long-term loans as at 31 December is as follows:

	2016			2015 (restated)
	Ministry of Finance	Local commercial banks	Total	Total
Balance at beginning of the year	5,000,000	193,217,961	198,217,961	111,672,851
Withdrawals during the year	--	127,894,535	127,894,535	96,778,927
Repayment during the year	(5,000,000)	(6,219,636)	(11,219,636)	(10,233,817)
Balance at end of the year	--	314,892,860	314,892,860	198,217,961

15. LONG-TERM LOANS (CONTINUED)

Long-term loans were presented in the consolidated balance sheet as at 31 December as follows:

	2016			2015 (restated)
	Ministry of Finance	Local commercial banks	Total	Total
Current portion of long-term loans – current liabilities	--	31,500,000	31,500,000	9,294,281
Non-current portion of long term loans – non-current liabilities	--	283,392,860	283,392,860	188,923,680
	--	314,892,860	314,892,860	198,217,961
	--	314,892,860	314,892,860	198,217,961

16. ZAKAT

Zakat status

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

Dur Hospitality Company has finalized its Zakat status with the General Authority of Zakat and Tax (GAZT) for the years up to and including 31 December 2009, filed its Zakat returns for all years up to 2015 and paid the Zakat payable accordingly. However, the Company is still waiting to get the final assessments from the GAZT. No Zakat returns have been filed for its subsidiaries (Alnakheel Resorts Limited, Tabouk Hotel Company and Makkah Hotel Company) with GAZT for the years ended 31 December 2014 and 31 December 2015. Management is in the process of filing these returns during the subsequent period and the year ended 31 December 2016. Zakat charge as at 31 December 2016 is as follows:

Zakat base

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

	2016	2015
Net book income adjusted as follows:	118,274,306	153,412,724
Provisions during the year	12,285,220	24,187,097
Net adjusted income (a)	130,559,526	177,599,821

16. ZAKAT (CONTINUED)

	2016	2015
Add:		
Share capital	1.000.000.000	1.000.000.000
Reserves	643.002.488	643.002.490
Retained earnings	147.086.755	122.057.110
Long term loans	314.892.860	198.217.961
Dividends payable	47.387.944	53.366.488
Provisions	89.261.232	87.262.090
	2.372.190.805	2.281.505.960
Less:		
Property and equipment	(1.683.442.191)	(1.648.075.221)
Projects in progress	(375.977.222)	(216.779.541)
Dividends	(75.978.544)	(120.025.585)
Investments	(37.436.392)	(78.405.549)
	(2,172,834,349)	(2,063,285,896)
Zakat base (b)	199.356.456	218.220.064
Zakat base, greater of (a) or (b)	199.356.456	218.220.064
Zakat charge at 2.5%	4.983.911	5.455.502

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

	2016	2015
Balance at beginning of the year	17.343.025	14.917.230
Provided during the year	4.983.911	5.420.873
Repayment during the year	(4.409.714)	(4.752.403)
Provision for Zakat resulting from acquisition on subsidiary	--	1.757.325
Balance at end of the year	17.917.222	17.343.025

17. CONTRACTUAL RESERVE

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

18. SEGMENT REPORTING

The Group activities are divided into three main business segments as follows:

- Hotels segment: represented in hotels and revenue achieved therefrom whether these hotels are self-operated by Makarim Hospitality or Al Jazira or through an external operator independent from the Group.
- Properties owned segment: represents properties owned by the Group which are utilized by lease to others and represents mainly residential compound and commercial centers.
- Services and operating segment: represents managing and operating of hotels and properties, whether they are owned by the Group or not.

	Hotels	Properties owned	Services and operating	Others	Transactions between business segments	Total
31 December 2016						
Revenue	426.578.483	72.861.632	28.813.677	600.000	(29.641.014)	499.212.778
Costs	(334.380.195)	(19.042.094)	(15.390.338)	(13.266.315)	30.365.072	(351.713.870)
Gross profit	92.198.288	53.819.538	13.423.339	(12.666.315)	724.058	147.498.908
Trade receivables, net	56.717.307	10.029.702	--	--	--	66.747.009
Property and equipment, net	476.515.873	1.206.926.318	--	--	--	1.683.442.191
Loans	--	314.892.860	--	--	--	314.892.860
Net income before Zakat and non-controlling interest	72.278.215	36.077.463	11.548.050	294.636	(1.924.058)	118.274.306
31 December 2015						
Revenue	464.751.654	62.527.721	29.625.265	4.358.314	(28.643.360)	532.619.594
Cost	(336.004.254)	(19.415.023)	(10.772.023)	(14.672.936)	27.443.360	(353.420.876)
Gross profit	128.747.400	43.112.698	18.853.242	(10.314.622)	(1.200.000)	179.198.718
Trade receivables, net	54.367.065	17.880.246	--	--	--	72.247.311
Property and equipment, net	860.871.719	787.203.502	--	--	--	1.648.075.221
Loans	5.000.000	193.217.961	--	--	--	198.217.961
Net income before Zakat and non-controlling interest	103.336.726	43.365.716	17.259.386	(10.549.104)	--	153.412.724

18. SEGMENT REPORTIN (CONTINUED)

Geographical segments:

The Group's activities are distributed in three major geographical regions within the Kingdom, which are Riyadh, Makkah, and Tabuk. The basic financial data for each are as follows:

	Assets	Liabilities	Revenue
As at 31 December 2016			
Riyadh	2,476,631,556	612,673,965	394,571,993
Makkah	443,286,214	77,675,805	120,330,030
Tabuk	47,071,390	4,300,935	13,951,769
	2,966,989,160	694,650,705	528,853,792
Transactions between segments	(554,359,651)	(106,478,057)	(29,641,014)
	2,412,629,509	588,172,648	499,212,778
As at 31 December 2015			
Riyadh	4,623,446,175	1,381,367,435	409,966,438
Makkah	435,696,803	78,312,168	121,749,169
Tabuk	50,754,937	4,913,285	20,547,347
	5,109,897,915	1,464,592,888	552,262,954
Transactions between segments	(2,832,356,559)	(1,021,246,295)	(28,643,360)
	2,277,541,356	443,346,593	532,619,594

19. COST OF REVENUE

	2016	2015 (Restated)
Salaries and related costs	139,487,548	140,758,102
Depreciation (Note 11)	51,039,378	52,276,012
Foods and beverages	45,500,671	46,883,521
Operational supplies	25,824,442	25,244,048
Telephone, Internet and utilities	23,555,415	21,362,967
Services and operating fees	16,727,957	16,070,027
Rents	15,483,128	16,791,924
Maintenance and repair	11,161,933	11,972,833
Promotional activities	10,899,949	10,745,962
Commissions to travel agencies and credit cards	4,209,959	4,556,709
Insurance	1,442,930	1,446,334
Security and guard	1,590,380	1,535,189
Cleaning and hospitality	1,231,514	1,347,908
Information systems expenses	1,219,903	550,745
Training	794,128	417,569
Inventories Provision (Note 6)	610,000	1,027,206
Others	934,635	433,820
	351,713,870	353,420,876

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015 (Restated)
Salaries and related costs	19,958,440	19,200,604
Depreciation (Note 11)	3,692,485	1,727,995
Professional and consultancy fees	2,940,604	1,953,064
Utilization of deferred charges (Note 12)	2,487,732	2,487,732
Subscriptions and attestation charges	1,916,356	992,947
Provision for doubtful debts (Note 5)	1,478,478	5,523,086
Bank charges	1,386,292	795,779
Hospitality	1,035,146	389,468
Telephone and utilities	395,361	607,842
Insurance	375,566	315,001
Social contributions	360,251	59,202
Training	327,457	206,726
Maintenance and cleaning	229,311	293,211
Entertainment expenses	120,000	412,350
Others	759,121	898,104
	37,462,600	35,863,111

21. OTHER INCOME

	2016	2015 (Restated)
Reversal of provisions	2,511,957	1,594,783
Murabaha income	1,047,679	561,150
Rent for parking and office spaces (21.1)	715,395	1,157,224
Gains from sale of property and equipment	--	1,126,089
Delay penalties	--	1,980,000
Scraps sales	9,393	98,248
Human resources income	--	555,136
Others	272,819	1,345,805
	4,557,243	8,418,435

(21.1) Rental of parking and office spaces include rental value for office spaces of Asilah for Investment Company (related party) at Marriott Courtyard Hotel.

22. EARNINGS PER SHARE

Earnings per share is calculated based on weighted-average number of shares issued and outstanding during the year ended 31 December 2016 and the year ended 31 December 2015 which are 100 million shares (2015: 100 million shares).

23. CAPITAL COMMITMENTS

The Group's outstanding future capital commitments as at 31 December 2016 amounting to SR 440 million (2015: SR 286.5 million), which are related to contracts signed for the construction of Safarat Ditrect Hotel, the third, fourth and fifth phase of Darraq project, Alnakheel Village and Aljubail Hotel.

24. CONTINGENT LIABILITIES

The Group has issued letters of guarantee amounting to SR 36.8 million at 31 December 2016 (2015: SR 22.7 million). These guarantees are without a cash margin.

25. DIVIDENDS

The Shareholders General Assembly meeting held on 20 Jumada II 1437H corresponding to 29 March 2016 agreed on a cash dividend to the shareholders for the year 2015 amounted to SR 120 million at SR 1.1 per each share (2015: amounted to SR 120 million for the year 2014 at SR 1.2 per share).

26. OPERATING LEASES

26-1 The Group as lessee

The Group has an operating lease for initial period of one year to ten years with options to renew the lease after lease period. Rental expenses for the year ended 31 December 2016 amounted to SR 15 million (2015: SR 15 million).

As at 31 December, the Group's obligations under operating leases are aggregated as follow:

	2016	2015
2016	--	15.000.000
2017	15.000.000	15.000.000
2018	15.000.000	15.000.000
2019	15.000.000	15.000.000
2020	15.000.000	15.000.000
Total	60.000.000	75.000.000

26. OPERATING LEASES (CONTINUED)

26-2 The Group as lessor

The Group has leased certain commercial and residential properties to other parties under operating lease arrangements. The leases are for initial period of one year to three years with options to renew the leases after lease period. Lease amount is fixed annually. The cost and book value of the leased assets at 31 December 2016 amounted to SR 517,896,313 (2015: SR 444,012,997) and SR 393,193,098 (2015: SR 398,802,800) respectively.

At December 31, the minimum lease income for non-cancellable leases are as follow:

	2016	2015 (Restated)
2016	--	9.200.000
2017	1.700.000	1.700.000
Total	1.700.000	10.900.000

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet consist of cash and cash equivalents, trade receivables and other current assets, investments, short-term loans, trade payables and other current liabilities and long term loans.

Currency risk

Currency risk is the risk that the value of a financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Since all significant transactions of the Group are principally in Saudi Riyal, the Group currency and foreign exchange risk exposure are very limited.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risks arise mainly from Islamic Murabaha, short term bank loans and long term debts, which are at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

Liquidity risk

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

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying consolidated financial statements are prepared under the historical cost method, except investments in available for sale, which are measured at their fair value, differences may arise between the book values and the fair value estimates. Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 11 Jumada I 1438 H (corresponding to 8 February 2017).

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