DUR HOSPITALITY COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Financial Statements (Un-audited)
For the three-month period ended 31 March 2016
together with the
Independent Auditor's Review Report

KPMG

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REVIEW REPORT ON THE INTERIM CONSOLIDATD FINANCIAL STATEMENTS

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

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of **Dur Hospitality Company** and its subsidiaries (collectively referred to as "the Group") as at 31 March 2016, the related interim consolidated statements of income, statements of cash flows and changes in equity for the three-month period then ended and the attached notes (1) to (23) which form an integral part of the interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group management and have been prepared by them and submitted to us together with all the information and explanations, which we required. Our responsibility is to provide a conclusion on these interim consolidated financial statements based on our review.

We conducted our review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371

Date: 12 Rajab 1437H
Corresponding to: 19 April 2016

DUR HOSPITALITY COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (UN-AUDITED)
As at 31 March 2016
(Saudi Riyals)

Assets	Note	2016	2015
Current assets			
Cash on hand and at banks	*(4)*	**224,653,201**	315,670,556
Trade receivables		**78,202,494**	66,307,850
Prepayments and other current assets	*(5)*	**25,622,328**	20,085,354
Due from related parties		**3,237,543**	1,515,222
Inventories		**27,130,567**	25,534,713
Total current assets		**358,846,133**	429,113,695
Non-current assets			
Investment in equity accounted investees	*(6)*	**32,452,859**	74,703,832
Available-for-sale investments	*(7)*	**43,040,327**	63,019,302
Property and equipment, net	*(8)*	**1,672,592,711**	1,415,934,096
Projects in progress	*(9)*	**281,701,077**	218,012,203
Total non-current assets		**2,029,786,974**	1,771,669,433
Total assets		**2,388,633,107**	2,200,783,128
Liabilities and equity			
Current liabilities			
Current portion of long-term loans	*(11)*	**34,000,000**	11,981,596
Trade payables		**23,254,036**	6,163,584
Accrued expenses and other current liabilities	*(12)*	**101,124,784**	112,017,909
Dividends payable		**53,227,430**	51,084,654
Due to related parties		**13,334,298**	12,913,278
Zakat provision		**17,427,870**	16,066,669
Total current liabilities		**242,368,418**	210,227,690
Non-current liabilities			
Long term loans	*(11)*	**234,091,520**	119,555,337
Employees' end of service benefits		**53,410,081**	42,508,222
Total non-current liabilities		**287,501,601**	162,063,559
Total liabilities		**529,870,019**	372,291,249
Equity			
Equity attributable to the Company's shareholders			
Share capital		**1,000,000,000**	1,000,000,000
Statutory reserve		**500,000,000**	500,000,000
Contractual reserve		**143,002,490**	143,002,490
Retained earnings		**176,131,170**	167,018,056
Unrealized gains on available-for-sale investments		**2,873,384**	14,393,500
Total equity attributable to Company's shareholders		**1,822,007,044**	1,824,414,046
Non-controlling interest		**36,756,044**	4,077,833
Total equity		**1,858,763,088**	1,828,491,879
Total liabilities and equity		**2,388,633,107**	2,200,783,128

The accompanying notes from (1) to (23) form an integral part of these interim consolidated financial statements.

DUR HOSPITALITY COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (UN-AUDITED)
For the three-month period ended 31 March 2016
(Saudi Riyals)

	Note	**2016**	2015
Revenue	*(14)*	**134,931,012**	133,032,357
Cost of revenue	*(15)*	**(92,646,016)**	(82,785,465)
Gross profit		**42,284,996**	50,246,892
General and administrative expenses	*(16)*	**(9,375,942)**	(7,579,335)
Selling and marketing expenses		**(240,832)**	(187,810)
Income from investments in equity accounted investees	*(6)*	**--**	1,207,185
Operating income		**32,668,222**	43,686,932
Other income	*(17)*	**432,130**	2,539,939
Net income before Zakat and non-controlling interest		**33,100,352**	46,226,871
Zakat provision		**(1,300,507)**	(1,149,439)
Net income before non - controlling interest		**31,799,845**	45,077,432
Share of non-controlling interest		**(229,579)**	(116,486)
Net income		**31,500,266**	44,960,946
Earnings per share from:	*(18)*		
Net income		**0.32**	0.45
Operating income		**0.33**	0.44
Other income		**0.004**	0.03

The accompanying notes from (1) to (23) form an integral part of these interim consolidated financial statements.

DUR HOSPITALITY COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)
For the three-month period ended 31 March 2016
(Saudi Riyals)

	Note	2016	2015
Cash flows from operating activities			
Net income before Zakat and non-controlling interest		**33,100,352**	46,226,871
Adjustments to reconcile net income to net cash generated from operating activities			
Depreciation of property and equipment	*(8)*	**12,926,071**	10,795,943
Amortization of deferred charges	*(16)*	**621,933**	621,933
Gains on sale of property and equipment	*(17)*	--	(185,000)
Provision for end of service benefits		**5,327,986**	2,281,563
Provision for doubtful debts	*(16)*	**779,813**	1,743,496
Provision for slow-moving inventories	*(15)*	**93,750**	600,000
Income from investments in equity accounted investees	*(6)*	--	(1,207,185)
		53,849,905	60,877,621
Changes in operating assets and liabilities:			
Trade receivables		**(6,631,000)**	(2,482,476)
Prepayments and other current assets		**(3,661,658)**	(2,065,093)
Due from related parties		**(1,023,140)**	961,648
Inventories		**1,050,438**	(363,108)
Trade payables		**3,652,470**	1,096,092
Accrued expenses and other current liabilities		**(2,303,656)**	1,677,695
Due to related parties		**3,448,007**	(1,153,412)
End of service benefits paid		**(1,782,095)**	(3,802,873)
Net cash flows generated from operating activities		**45,599,271**	54,746,094
Cash flows from investing activities			
Payments for Purchase of property and equipment and projects in Progress		**(102,617,292)**	(39,483,897)
Payments for investment in equity accounted investees	*(6)*	--	(15,937,500)
Proceeds from sale of property and equipment		--	185,000
Proceeds investment in equity accounted investees	*(6)*	--	1,800,000
Net cash flows used in investing activities		**(102,617,292)**	(53,436,397)
Cash flows from financing activities			
Proceed from long term loans	*(11)*	**69,873,559**	19,864,082
Dividends paid		--	(345,259)
Net cash flows generated from financing activities		**69,873,559**	19,518,823
Net change in cash and cash equivalents during the period		**12,855,538**	20,828,520
Cash and cash equivalents at the beginning of the period		**211,797,663**	294,842,036
Cash and cash equivalents at the end of the period		**224,653,201**	315,670,556

The accompanying notes from (1) to (23) form an integral part of these interim consolidated financial statements.

DUR HOSPITALITY COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For the three-month period ended 31 March 2016
(Saudi Riyals)

	Total equity attributable to Company's shareholders							
	Share capital	Statutory reserve	Contractual reserve	Retained earnings	Unrealized gains on available-for-sale investments	Total	Non-controlling interest	Total 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 period	--	--	--	44,960,946	--	44,960,946	116,486	45,077,432
Unrealized gain on available-for-sale investments	--	--	--	--	182,936	182,936	120	183,056
Balance at 31 March 2015	**1,000,000,000**	**500,000,000**	**143,002,490**	**167,018,056**	**14,393,500**	**1,824,414,046**	**4,077,833**	**1,828,491,879**
Balance at 1 January 2016	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
Net income for the period	--	--	--	31,500,266	--	31,500,266	299,579	31,799,845
Unrealized loss on available-for-sale investments	--	--	--	--	(3,199,655)	(3,199,655)	(1,709)	(3,201,364)
Balance at 31 March 2016	**1,000,000,000**	**500,000,000**	**143,002,490**	**176,131,170**	**2,873,384**	**1,822,007,044**	**36,756,044**	**1,858,736,088**

The accompanying notes from (1) to (23) form an integral part of these interim consolidated financial statements.

(Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES

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

The Company's name has been 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 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 construct, own, operate, manage, invest, buy, enter into partnership, rent hotels, restaurants, motels, rests, entertainment centers, travel agencies, private beaches which varies in grade and size in cities and tourism areas. In addition to own, develop and construct buildings on land or put them out for rent, providing services to pilgrims and visitors to the Prophet's Mosque and carry out all core and intermediate business required to implement, process and start various activities of the above-mentioned works in line with the its purposes, The Company shall carry out its purposes by itself or through contracting others jointly or separately.

1,1 Share Capital

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

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

1,2 Consolidated interim financial statements

Theses interim 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 or indirect a share in equity that enables it to exercise control over them. These subsidiaries as at 31 March 2016 are as follows:

Name of the subsidiary	Share capital	Ownership %
Riyadh Company for Hotels and Entertainment LLC	302,500,000	100 %
Gulf for Tourist Area Limited Company	206,000,000	100 %
Makkah Hotels Limited Company	165,600,000	99.44 %
Alnakheel for Tourist Areas Limited Company	59,250,000	98.73 %
Tabuk Hotels Limited Company	27,300,000	97.14 %
Saudi Hotel Services Company	70,000,000	70 %

All the subsidiaries listed above are controlled by the Group from previous periods including comparative period, except for Saudi Hotel Services Company in which a controlling interest was acquired during the second quarter of 2015.

The below are details of the subsidiaries and their activities:

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

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 business activity of this company includes construct, buy, rent and carrying out the management of residential, commercial and entertainment properties, hotels, restaurants, motels, guesthouses, tourist beaches and gymnasiums.

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 business activity of this company includes construct, own, rent and sell of residential and commercial properties, leisure and hotels, restaurants, guesthouses, tourism beaches, gymnasiums and sports clubs.

Makkah Hotels Limited Company

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 business activity of this company includes work in the hospitality activity in general inside and outside the Kingdom through owning, investing or entering in to partnership for hotels and restaurants, The Company owns Makarim Ajyad Makkah Hotel in Makkah El Mokarama.

Alnakheel for Tourist Area Limited Company

Alnakheel for Tourist Area Limited Company ("Alnakheel") 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 business activity of this company includes construct, own, rent and sell of residential and commercial properties, leisure and hotels, restaurants, guesthouses, tourism beaches, gymnasiums and sports clubs. Alnakheel owns Makarim Annakheel Village in Jeddah. During 2008, Alnakheel acquired an additional 48% from several other shareholders. Alnakheel 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 Limited Company

Tabuk Hotels Limited Company ("Tabouk") 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 business activity of Tabouk includes 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, investing or entering into partnership for hotels and restaurants, Tabouk owns Makarim Tabuk Hotel in Tabuk, During 2008, the Company acquired an additional 44% in Tabouk's share capital from several other shareholders. Tabouk 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.

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

Saudi Hotel Services Company LLC

Saudi Hotel Service Company is a limited liability company established in Kingdom of Saudi Arabia under commercial registration No, 1010010454 dated 11 Dhu Al-Q'dah 1433H corresponding to 04 November 1996, The business activity of this company includes build five star tourist hotels in the city of Riyadh, and perform all legal procedures related to the hotel and all other essential and intermediate work necessary to execute, prepare and direct different activities of the hotel in the way consistent with the set objective and contract with others in all what related to the hotel, The company conduct 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).

2. BASIS OF PREPARATION

Statement of compliance

The interim 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).

These interim consolidated financial statements do not include all the information and explanations presented in the annual financial statements which are prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia, therefore these interim consolidated financial statements should be read in conjunction with the annual consolidated audited financial statements of the Group for the year ended 31 December 2015.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

The preparation of the interim 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 judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements are as follows:

2. BASIS OF PREPARATION (CONTINUED)

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 receivable

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

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 interim consolidated financial statements comprise of the interim condensed 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 interim consolidation financial statements include financial statements of subsidiaries, which have been prepared for the same reporting period of the company, using consistent accounting policies.

(Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

Business combination

Business combination is 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.

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, plant and equipment. All other expenditure is recognized in the income statement when incurred.

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

	Useful life
Buildings	70 – 75 year
Leasehold improvements	5 year
Furniture	10 year
Devices and equipment	5 year
Vehicles	4 year

4. CASH ON HAND AND AT BANK

	2016	2015
Islamic Murabaha deposits	**122,968,502**	143,732,542
Bank current accounts	**101,138,599**	171,608,814
Cash on hand	**546,100**	329,200
	224,653,201	315,670,556

(Saudi Riyals)

5. PREPAYMENTS AND OTHER CURRENT ASSETS

	2016	2015
Advances to suppliers	**5,801,959**	2,184,905
Real estate contributions	**5,383,841**	5,383,841
Prepaid insurance	**4,902,287**	4,370,930
Staff housing allowances	**2,163,400**	1,097,000
Prepaid maintenance	**1,567,388**	1,454,728
Prepaid fees and subscriptions	**1,535,618**	1,620,720
Staff loan	**1,417,700**	1,517,912
Prepaid rent	**1,052,010**	975,610
Other current assets	**1,798,125**	1,729,708
	25,622,328	20,335,354
Less: impairment of other current assets	**--**	(250,000)
	25,622,328	20,085,354

6. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	2016	2015
Balance at 1 January	**32,452,859**	59,334,775
Additions (6-1)	--	15,937,500
Investment income during the period (6-2)	--	1,207,185
Share of unrealized loss	--	24,372
Dividends	--	(1,800,000)
Balance at 31 March	**32,452,859**	74,703,832

(6-1) Investments additions during the period ended 31 March 2015 represent the amount of SR 15.9 million which represents a part of the Group's share in capital of Saudi Hospitality Heritage Company (a closed joint stock company) which was formed during 2014, amounted to SR 62.5 million (represent 25% of the Company share capital). The Group has subscribed in the Saudi Hospitality Heritage Company, which has share capital of SAR 250 Million.

(6-2) Investment income during the period ended March 31, 2015 refer to the Company's share of the Saudi Hotel Services revenue and there is no comparative amount for the period ended March 31, 2016 as a result of the consolidated process for the financial statements of the Company in the financial statements of the group.

- There is no significant investment income during the period end at 31 March 2016.
- All the companies mentioned above are registered in the Kingdome of Saudi Arabia.

7. AVAILABLE FOR-SALE-INVESTMENTS

	2016	2015
Balance at 1 January	**46,241,691**	62,860,618
Unrealized profit (loss)	**(3,201,364)**	158,684
Balance at 31 March	**43,040,327**	63,019,302

Available-for-sale investments represent investments in equity portfolios and the Group's share in National Company for Investment and Development of Tourism (a Limited Liability Company) registered in the Kingdom of Saudi Arabia.

The Group management review the cost of investment available for sale during 31 December 2015, and recognize the material and continues impairment.

The review result was impairment in the value of investment available for sale amounted to SAR 2.410.464, recorded in the statement of income for the year end 31 December 2015.

(Saudi Riyals)

8. PROPERTY, AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Furniture	Vehicles	Equipment	2016 Total	2015 Total
Cost								
Balance at 1 January	**724,216,442**	**1,216,264,236**	**38,876,755**	**239,947,423**	**8,047,677**	**51,865,163**	**2,279,217,696**	2,073,423,691
Additions	--	**621,106**	--	**2,951,759**	--	**568,127**	**4,140,992**	2,262,654
Transferred from projects in progress	--	**32,552,165**	--	**1,266,155**	--	--	**33,818,320**	--
Disposals	--	--	--	--	--	--	--	(93,100)
Balance at 31 March	**724,216,442**	**1,249,437,507**	**38,876,755**	**244,165,337**	**8,047,677**	**52,433,290**	**2,317,177,008**	2,075,593,245
Accumulated depreciation								
Balance at 1 January	--	**421,645,352**	**18,047,247**	**165,845,423**	**7,488,512**	**18,631,692**	**631,658,226**	648,956,306
Charged for the period	--	**3,751,731**	**4,357,035**	**3,926,866**	**125,621**	**764,818**	**12,926,071**	10,795,943
Disposals	--	--	--	--	--	--	--	(93,100)
Balance at 31 March	--	**425,397,083**	**22,404,282**	**169,772,289**	**7,614,133**	**19,396,510**	**644,584,297**	659,659,149
Net Book value								
At 31 March 2016	**724,216,442**	**824,040,424**	**16,472,473**	**74,393,048**	**433,544**	**33,036,780**	**1,672,592,711**	
At 31 March 2015	612,909,506	696,766,451	15,673,869	63,237,210	818,174	26,528,886		1,415,934,096

- Land and buildings include Alnakheel Village land including whatever built thereon of buildings, facilities and furniture, which are fully mortgaged against the loan obtained from the Ministry of Finance as shown in Note (11).

- Depreciation was charged for the period ended 31 March as follows:

	2016	2015
Cost of revenue (Note 15)	**12,492,878**	10,599,725
General and administrative expenses (Note 16)	**433,193**	196,218
	12,926,071	10,795,943

(Saudi Riyals)

9. PROJECTS IN PROGRESS

	2016	2015
Balance at 1 January	**217,665,030**	181,412,893
Additions during the period	**98,476,300**	37,221,243
Transferred to property and equipment	**(33,818,320)**	--
Write off	**(621,933)**	(621,933)
Balance at 31 March	**281,701,077**	218,012,201

As at 31 March 2016, projects in progress represent mainly Darraq Project (Phase III and IV) total cost amounted to SR 126 million (2015: SR 59 million). Phase III of the project is expected to be completed in the first half of 2017. In addition to above, projects in progress includes, renovation project of Alnakheel village amounting to SR 46.6 million (2015: SR 29.7 million) and Al Safarat district hotel project amounting to SR 14.8 million (2015: SR 10 million).

10. BUSINESS COMBINATION

On 27 Jumada II 1436H, corresponding to 16 April 2015, the Group has acquired 10% interest in 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 additional 20% interest for cash consideration of SR 21 million. As a result of which, the Group share in the net assets of Saudi Hotel Services Company became 70% from 40%. The legal procedures to amend the Articles of Association is still under process. Accordingly, the Group has consolidated Saudi Hotel Services Company as subsidiary.

The Group has recognized provisional values of the net assets, and will prepare a study of the fair value for the net assets acquired, which could result in modifying the provisional values of the net assets retrospectively.

The assets and liabilities provisionally determined as follows:

	Acquired value
Assets:	
Fixed assets	**70,247,509**
Project under construction	**885,489**
Accounts receivables and prepayments	**10,010,296**
Inventories	**4,403,218**
Cash on hand and at banks	**39,445,181**
	124,991,693
Liabilities:	
Payables and accrued expenses	**19,450,029**
Zakat provision	**541,664**
	19,991,693
Provisional amount of net asset	**105,000,000**

As the provisional amount of the net asset is not different from the cash consideration paid. Therefore, no goodwill has been recognized.

(Saudi Riyals)

9. BUSINESS COMBINATION (CONTINUED)

Cash flows on acquisition	
Net cash acquired from the subsidiary	**39,445,181**
Cash consideration paid	**(31,500,000)**
Net cash flows acquired	**7,945,181**

As a result of this acquisition, a non-controlling interest has been recorded amounted to SAR 31.5 million.

11. LONG TERM LOANS

The Group entered into long term financing agreements with the Ministry of Finance in addition to several local banks to obtain funding in the form of loans, forward sale and Shariah-compliant Murabaha, with a total value of SR 371.9 million (2015: SR 371.9 million), at variable Murabaha rates. As at 31 March 2016, the utilized amounts under those agreements amounted SR 268 million until 31 March 2016 (2015: SR 131.5 million).

This loan provided by the ministry of finance is secured by the mortgage the land of Alnakheel village and whatever built thereon, such as facilities, equipment and furniture. The loans from local banks are secured by promissory notes in favour of the local banks, and assignment of rental proceeds of Darraq (Phase II and III) with an annual value of SR 42.6. In addition to above, the Group will assign the proceeds of the contracts for which the bank will issue final letters of guarantee and / or letters of guarantee - down payment.

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

	2016			2015
	Ministry of Finance	**Commercial local banks**	**Total**	Total
Balance at beginning of the period	**5,000,000**	**193,217,961**	**198,217,961**	111,672,851
Withdrawals during the period	--	**69,873,559**	**69,873,559**	19,864,082
Balance at end of the period	**5,000,000**	**263,091,520**	**268,091,520**	131,536,933

The long-term loans are presented in the consolidated balance sheet as at 31 March as follows:

Current portion of long-term loans – current liabilities	**2,500,000**	**31,500,000**	**34,000,000**	11,981,596
Non-current portion of long-term loans – non-current liabilities	**2,500,000**	**231,591,520**	**234,091,520**	119,555,337
	5,000,000	**263,091,520**	**268,091,520**	131,536,933

(Saudi Riyals)

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2016	2015
Revenue received in advance	**29,186,168**	35,656,938
Accrued staff salaries and benefits	**20,231,509**	19,820,600
Performance bond retentions	**15,093,980**	15,603,125
Accrued rent	**9,657,115**	9,520,300
Due to government institute (12-1)	**9,186,651**	9,186,651
Advances from customers	**6,965,002**	8,314,900
Accrued maintenance and utilities	**3,343,155**	4,021,230
Accrued Management fees to international operating companies	**2,956,876**	5,057,099
Accrued insurance	**1,269,058**	1,433,364
Accrued advertisement	**613,469**	700,515
Professional and consultancy fees	**400,087**	390,400
Other current liabilities	**2,221,714**	2,312,787
	101,124,784	112,017,909

(12-1) This balance includes an amount due to the Civil Aviation Authority ('CAA') - (the owner of Makarem Riyadh Hotel) representing CAA's Share of net profits and pre-opening expenses belong to the previous contract. Repayment of this balance has not been decided with CAA.

13. ZAKAT

The Company and its subsidiaries file their Zakat declarations independently based on the relevant financial statements of each Company. Therefore, Zakat base is identified and Zakat is calculated for the Company and its subsidiaries independently, and is shown in the consolidated statement of income for the Group.

Dur Hospitality Company has finalized its Zakat status with the Department of Zakat and Income Tax (DZIT) for the years up to 31 December 2009, and has filed its Zakat returns for the years until 2014 and paid the Zakat payable accordingly. However, the Company is still waiting to get the final assessments from the DZIT. Zakat returns for the year ended 31 December 2014 have not been filed with the DZIT for its subsidiaries: Alnakheel Resorts Limited, Tabouk Hotel Company and Makkah Hotel Company. The management is in the process to file those returns during the subsequent period.

(Saudi Riyals)

14. SEGMENT REPORTING

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

- Hotels and entertainment segments sector: representing results achieved from hotels whether these hotels self operated by Makarim Hospitality or Al Jazira or through an external operator independent of the Group.
- Properties owned segment: represents properties owned by the Group, which are leased to other parties and represent mainly residential compound and commercial centers.
- Services and operating segments: represents managing and operating of hotels and properties, whether or not owned by the Group.

	Hotels	Properties owned	Services and operating	Others	Transactions between business segments	Total
31 March 2016						
Revenue	**118,163,452**	**16,645,267**	**5,456,040**	**621,584**	**(5,955,331)**	**134,931,012**
Costs	**(89,566,931)**	**(4,555,691)**	**(2,081,183)**	**(2,097,542)**	**5,655,331**	**(92,646,016)**
Gross profit	**28,596,521**	**12,089,576**	**3,374,857**	**(1,475,958)**	**(300,000)**	**42,284,996**
Trade receivables, net	**52,899,115**	**25,303,379**	--	--	--	**72,202,494**
Property and equipment, net	**483,385,838**	**1,189,206,873**	--	--	--	**1,672,592,711**
Long term loans	**5,000,000**	**263,091,520**	--	--	--	**268,091,520**
Net income (loss) before Zakat and non-controlling interest	**27,715,430**	**3,256,292**	**3,646,900**	**(1,518,270)**	--	**33,100,352**
31 March 2015						
Revenue	116,468,953	15,191,496	6,622,957	2,017,755	(7,268,804)	133,032,357
Cost	(77,766,518)	(4,906,520)	(2,678,273)	(4,402,958)	6,968,804	(82,785,465)
Gross profit	38,702,435	10,284,976	3,944,684	(2,385,203)	(300,000)	50,246,892
Trade receivables, net	55,251,567	10,953,269	--	103,014	--	66,307,850
Property and equipment, net	839,772,445	576,161,651	--	--	--	1,415,934,096
Long term loans	11,785,713	119,751,220	--	--	--	131,536,933
Net income (loss) before Zakat and non-controlling interest	35,025,133	9,875,284	3,766,073	(2,439,619)	--	46,226,871

(Saudi Riyals)

14. SEGMENT REPORTING (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 March 2016			
Riyadh	**2,475,408,736**	**565,790,635**	**110,455,152**
Makkah	**444,226,795**	**80,945,691**	**26,476,417**
Tabuk	**50,401,796**	**5,032,749**	**3,954,774**
	2,970,037,327	**651,769,075**	**140,886,343**
Transactions between segments	**(581,404,220)**	**(121,899,056)**	**(5,955,331)**
	2,388,633,107	**529,870,019**	**134,931,012**
As at 31 March 2015			
Riyadh	4,456,132,519	1,251,135,733	104,364,222
Makkah	437,431,044	78,884,792	30,552,994
Tabuk	57,120,920	11,449,874	5,383,945
	4,950,684,483	1,341,470,399	140,301,161
Transactions between segments	(2,749,901,355)	(969,179,150)	(7,268,804)
	2,200,783,128	372,291,249	133,032,357

15. COST OF REVENUES

	2016	2015
Salaries and employee related costs	**41,196,348**	33,147,621
Depreciation of property and equipment (Note 8)	**12,492,878**	10,599,725
Foods and beverages	**9,497,768**	9,410,667
Operational supplies	**8,283,247**	7,713,322
Telephone and utilities	**4,717,506**	3,812,097
Rents	**3,705,885**	4,379,967
Services and operating fees	**4,986,770**	4,859,860
Promotional activities	**2,367,677**	21,585,809
Repair and maintenance	**2,446,440**	2,715,232
Commissions to travel and tourism agents and collection of credit cards	**1,145,008**	1,024,688
Security and guard	**711,684**	800,582
Insurance	**400,017**	509,120
Cleaning and hospitality	**253,388**	250,100
Provision for slow-moving inventories	**93,750**	600,000
Others	**347,650**	376,675
	92,646,016	82,785,465

(Saudi Riyals)

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Salaries and employee related costs	**5,031,514**	3,667,538
Professional and consultancy fees	**1,044,477**	483,899
Provision for doubtful debts	**779,813**	1,743,496
Amortization of deferred charges	**621,933**	621,933
Depreciation of property and equipment (Note 8)	**433,193**	196,218
Entertainment expenses	**424,119**	219,000
Subscriptions and attestation charges	**279,589**	263,137
Hospitality, maintenance and cleaning	**229,720**	71,536
Insurance	**89,584**	70,000
Telephone and utilities	**56,714**	55,613
Others	**385,286**	186,965
	9,375,942	7,579,335

17. OTHER INCOME

	2016	2015
Rental of parking and office spaces (17-1)	**225,731**	--
Murabaha income	**136,399**	229,793
Gain from sale of property and equipment	**--**	185,000
Delay penalties	**--**	1,980,000
Others	**70,000**	145,146
	432,130	2,539,939

(17-1) Rental of parking and office spaces include rental value for office spaces of Asilah for Investment Company (Related party) at Marriott Courtyard Hotel.

18. EARNINGS PER SHARE

Earnings per share for the period ended 31 March 2016 and 31 March 2015 is calculated by dividing the net income, operating income and other income by weighted average number of ordinary shares issued of 100 million shares (2015: 100 million shares) and outstanding during the period.

19. CAPITAL COMMITMENTS

The Group's outstanding future capital commitments as at 31 March 2016 amounting to SR 431 million (2015: SR 287.7 million), which are related to contracts signed for the construction of the third and fourth phase of Darraq project and Alnakheel Village.

20. CONTINGENT LIABILITIES

The Group has issued letters of guarantee amounting to SR 22.7 million at 31 March 2016 (2015: SR 30.9 million). These guarantees are without a cash margin.

(Saudi Riyals)

21. OPERATING LEASES

21-1 As a lessee

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

As at 31 March, 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

21-2 As a lessor

The Group has leased certain commercial and residential properties to third parties under operating lease arrangements. These leases are for initial period of one year to three years with options. Lease amount is fixed annually. The cost and book value of the leased assets at 31 March 2016 amounted to SR 207,309,106 (2015: SR 207,195,569) and SR 205,888,901 (2015: SR 205,888,901) respectively.

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

	2016	2015
2016	--	9,200,000
2017	**1,700,000**	1,700,000
Total	**1,700,000**	10,900,000

22. 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.

Credit risk

Credit Risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. Financial assets that may have significant concentration consist of credit risks include cash at bank and trade receivables.

Cash at banks is placed with local banks of sound credit ratings, so the credit risk is limited. The credit risk related to trade receivables is limited because most of the Group's transactions are concentrated with creditworthy customers. The Group monitors its customers' balances on regular basis to reduce the related credit risk. Follow ups on collections and take necessary action to maintain the Group assets.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 is very limited.

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 risk arise mainly from short term bank deposits and bank debts and long term loans, 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 is 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.

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 these interim consolidated financial statements are prepared under the historical cost method except for available-for-sale investments, which are stated at 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.