

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

30 September 2019

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the nine month period ended 30 September 2019

INDEX	PAGE
Independent auditor's review report	1
Interim condensed consolidated statement of financial position	2-3
Interim condensed consolidated statement of comprehensive income	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 – 23

Independent auditor's review report on the interim condensed consolidated financial statements
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Dur Hospitality Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2019, and the related interim condensed consolidated statement of comprehensive income for three and nine month periods ended 30 September 2019, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

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



Riyadh: 6 Rabi Awal 1441H
(3 November 2019)

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION

As at 30 September 2019

		<i>30 September 2019 (Unaudited) SR</i>	<i>31 December 2018 (Audited) SR</i>
ASSETS			
CURRENT ASSETS			
		135,401,190	139,789,605
Cash and cash equivalents		124,848,149	104,053,300
Trade receivables		5,680,825	22,250,094
Due from related parties	5	47,369,757	23,410,446
Prepayments and other current assets	6	22,495,807	22,829,074
Inventories		335,795,728	312,332,519
TOTAL CURRENT ASSETS		335,795,728	312,332,519
NON-CURRENT ASSETS			
Investment at fair value through other comprehensive income (FVOCI)		7,000,000	7,000,000
Investment in companies	7	76,109,067	25,191,200
Right of use assets	8	291,625,317	-
Advance for rent	6	43,580,150	-
Property and equipment	9	1,861,294,417	1,894,297,557
Capital work in progress	10	853,771,098	685,421,245
TOTAL NON-CURRENT ASSETS		3,133,380,049	2,611,910,002
TOTAL ASSETS		3,469,175,777	2,924,242,521
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		28,825,470	16,398,327
Accrued expenses and other current liabilities		208,157,601	190,202,409
Due to related parties	5	41,586,451	39,445,341
Term loans - current portion	11	96,017,327	92,491,060
Dividend payable		47,264,744	47,074,234
Lease liabilities - current portion	12	24,533,687	-
Provision for zakat	13	12,508,813	15,627,777
TOTAL CURRENT LIABILITIES		458,894,093	401,239,148
NON-CURRENT LIABILITIES			
Term loans - noncurrent portion	11	857,675,294	655,525,586
Employees' terminal benefits liabilities		56,968,159	56,480,888
Lease liabilities - noncurrent portion	12	341,353,838	-
TOTAL NON-CURRENT LIABILITIES		1,255,997,291	712,006,474
TOTAL LIABILITIES		1,714,891,384	1,113,245,622

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (CONTINUED)

As at 30 September 2019

		<i>30 September 2019 (Unaudited)</i>	<i>31 December 2018 (Audited)</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
EQUITY			
Share capital	14	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		75,964,987	131,662,069
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Non-controlling interest		35,316,916	36,332,340
TOTAL EQUITY		1,754,284,393	1,810,996,899
TOTAL LIABILITIES AND EQUITY		3,469,175,777	2,924,242,521

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the three and nine month periods ended 30 September 2019

	Note	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
		<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 2018</i>
		SR	SR	SR	SR
REVENUES					
Hospitality income		107,384,618	84,273,031	292,575,568	265,830,239
Rental income		28,793,330	24,429,938	82,176,986	70,635,011
Management fees		2,981,940	2,392,075	5,252,609	4,686,795
TOTAL REVENUES		139,159,888	111,095,044	380,005,163	341,152,045
COST OF REVENUES					
		(109,058,813)	(84,708,867)	(308,510,445)	(260,982,659)
GROSS PROFIT		30,101,075	26,386,177	71,494,718	80,169,386
EXPENSES					
Selling and marketing		(331,023)	(70,819)	(1,153,756)	(823,812)
General and administration		(8,806,895)	(8,613,219)	(29,000,279)	(27,003,318)
TOTAL EXPENSES		(9,137,918)	(8,684,038)	(30,154,035)	(27,827,130)
OPERATING INCOME		20,963,157	17,702,139	41,340,683	52,342,256
Financial charges	11	(6,265,969)	(2,896,158)	(18,317,102)	(4,810,454)
Financial charges on lease liabilities	12	(4,001,722)	-	(11,924,538)	-
Finance income		389,084	407,283	1,311,914	992,570
Other income, net	16	5,489,079	907,511	20,253,797	3,120,301
Share in net results of investment in companies	7	(299,998)	(365,749)	(1,042,428)	(916,957)
INCOME BEFORE ZAKAT		16,273,631	15,755,026	31,622,326	50,727,716
Zakat	13	(1,360,000)	(1,460,000)	(4,095,000)	(4,230,000)
NET INCOME FOR THE PERIOD		14,913,631	14,295,026	27,527,326	46,497,716
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
		14,913,631	14,295,026	27,527,326	46,497,716
Attributable to:					
Equity holders of the parent		15,193,605	15,203,022	28,542,750	47,416,318
Non-controlling interest		(279,974)	(907,996)	(1,015,424)	(918,602)
		14,913,631	14,295,026	27,527,326	46,497,716
Basic and diluted earnings per share attributable to equity holders of the parent	17	0.15	0.15	0.29	0.47

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period 30 September 2019

	Note	Share capital SR	Statutory reserve SR	Contractual reserves SR	Retained earnings SR	Total SR	Non-controlling interest SR	Total equity SR
<i><u>For the nine month period ended 30 September 2019</u></i>								
At the beginning of the period (audited)		1,000,000,000	500,000,000	143,002,490	131,662,069	1,774,664,559	36,332,340	1,810,996,899
Impact of adopting IFRS 16 at 1 January 2019	2.3	-	-	-	(59,239,832)	(59,239,832)	-	(59,239,832)
Restated balance at the beginning of the period		1,000,000,000	500,000,000	143,002,490	72,422,237	1,715,424,727	36,332,340	1,751,757,067
Total comprehensive income for the period		-	-	-	28,542,750	28,542,750	(1,015,424)	27,527,326
Dividends	15	-	-	-	(25,000,000)	(25,000,000)	-	(25,000,000)
At the end of the period (unaudited)		1,000,000,000	500,000,000	143,002,490	75,964,987	1,718,967,477	35,316,916	1,754,284,393
<i><u>For the nine month period ended 30 September 2018</u></i>								
At the beginning of the period (audited)		1,000,000,000	500,000,000	143,002,490	144,618,292	1,787,620,782	37,610,812	1,825,231,594
Impact of adopting IFRS 9 at 1 January 2018		-	-	-	(8,621,285)	(8,621,285)	(620,599)	(9,241,884)
Restated balance at the beginning of the period		1,000,000,000	500,000,000	143,002,490	135,997,007	1,778,999,497	36,990,213	1,815,989,710
Total comprehensive income for the period		-	-	-	47,416,318	47,416,318	(918,602)	46,497,716
Dividends	15	-	-	-	(55,000,000)	(55,000,000)	-	(55,000,000)
At the end of the period (unaudited)		1,000,000,000	500,000,000	143,002,490	128,413,325	1,771,415,815	36,071,611	1,807,487,426

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the nine month period ended 30 September 2019

		<i>For the nine month period ended</i>	
		<i>30 September</i>	<i>30 September</i>
	Note	2019	2018
		SR	SR
OPERATING ACTIVITIES			
Income before zakat		31,622,326	50,727,716
Adjustments for:			
Depreciation of property and equipment	9	54,330,847	51,467,043
Depreciation of right of use assets		11,128,160	-
Provision for expected credit loss, net		(106,495)	(276,836)
Slow moving inventory		1,604,522	937,252
Share in net results of investment in companies	7	1,042,428	916,957
Loss on sale of investment in companies	7	489,185	-
Employees' terminal benefits		6,793,404	4,437,647
		106,904,377	108,209,779
Changes in operating assets and liabilities:			
Trade receivables		(20,688,354)	(8,920,399)
Prepayments and other current assets		(23,959,311)	1,062,525
Advance for rent		(43,580,150)	-
Inventories		(1,271,255)	(74,854)
Due from related parties		16,569,269	(188,672)
Trade payables		12,427,143	(18,205,307)
Accrued expenses and other current liabilities		8,021,944	38,641,353
Due to related parties		2,141,110	29,988,920
Cash from operations		56,564,773	150,513,345
Zakat paid	13	(7,213,964)	(6,547,383)
Employees' terminal benefits paid		(6,352,790)	(6,194,397)
Net cash from operating activities		42,998,019	137,771,565
INVESTING ACTIVITIES			
Additions to property and equipment	9	(21,732,556)	(8,287,107)
Additions to capital work in progress	10	(168,349,853)	(261,998,278)
Advance for investment in a subsidiary		(37,980,000)	-
Dividend from investment		-	350,000
Net cash used in investing activities		(228,062,409)	(269,935,385)
FINANCING ACTIVITIES			
Proceeds from term loans, net		205,675,975	194,590,234
Dividends for shareholders	15	(25,000,000)	(55,000,000)
Net cash from financing activities		180,675,975	139,590,234
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(4,388,415)	7,426,414
Cash and cash equivalents at the beginning of the period		139,789,605	153,206,897
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		135,401,190	160,633,311

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)

At 30 September 2019

1 CORPORATE INFORMATION

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

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

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

<i>Subsidiary</i>	<i>Share Capital SR</i>	<i>Direct and indirect Ownership %</i>	
		<i>30 September 2019</i>	<i>31 December 2018</i>
Makkah Hotels Company Limited	165,600,000	99.44%	99.44%
Saudi Hotel Services Company Limited	70,000,000	70%	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	98.73%	98.73%
Tabuk Hotels Company Limited	27,300,000	97.14%	97.14%
Jude Alia Company Limited	100,000	99%	99%
Almasdar Alamny Company Limited	100,000	95%	95%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	95%	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	100%	100%
Dara Oasis Company Limited (One Person Company)	100,000	100%	100%

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

On 13 March 2019, The Company has paid an advance for the acquisition of a new subsidiary, (Nuzul Shada Hospitality Company), a limited liability company registered in the Kingdom of Saudi Arabia which is engaged in operating of furnished apartment (note 7).

The following are details of the subsidiaries and their activities:

Makkah Hotels Company Limited

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

Saudi Hotel Services Company Limited

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

Alnakheel for Tourist Areas Company Limited

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

1 CORPORATE INFORMATION (continued)

Tabuk Hotels Company Limited

Tabuk Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 3550006303 dated 5 Rabi Thani 1406H (corresponding to 17 December 1985). The Company owns Holiday Inn Tabuk Hotel.

Jude Alia Company Limited

Jude Alia Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010428949 dated 25 Safar 1436H (corresponding to 17 December 2014). The principal activities of the Company include building and construction.

Almasdar Alamny Company Limited

Almasdar Alamny Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010433370 dated 16 Rajab 1436H (corresponding to 5 May 2015). The Company is engaged in providing special civil security guard services in the Kingdom of Saudi Arabia pursuant to the Public Security letter number (3/1078413) dated 28 Rajab 1435H (corresponding to 27 May 2014).

Al Sawaed Al Kareemah Investment and Real Estate Development Company

Al Sawaed Al Kareemah Investment and Real Estate Development Company is a Saudi limited liability company and is registered under the commercial registration number 1010437489 dated 26 Dhul-Qadah 1436H (corresponding to 10 September 2015). The Company is engaged in construction, transportation, storage, refrigeration, financial and business services, as well as tourist accommodation services pursuant to the license of the Saudi Commission for Tourism and National Heritage No. (37/0096/F) dated 6 Safar 1437H (corresponding to 18 November 2015).

Sofraa Al Ewaa Hospitality Company

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

Dara Oasis Company Limited

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND MEASUREMENT

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

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

2.2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2019. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company, using consistent accounting policies.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

2.3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time IFRS16 (Leases). As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases (“IFRS 16”) (continued)

The Group has adopted for the simplified retrospective application method that is permitted by IFRS 16 in accordance with paragraph C5(b) of IFRS 16, and accordingly the Group has not restated comparative information. Instead, the Group recognised the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019).

As a result, of the initial application of IFRS 16 to operating leases using the above mentioned method, lease liability was measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at 1 January 2019. The right to use assets was measured at its carrying amount as if the standard has been applied since the commencement date, but discounted using the Group’s incremental borrowing rate as at 1 January 2019 .

The impact of adopting IFRS 16 on the interim condensed consolidated statement of financial position as at 1 January 2019 are as follows:

	SR
Increase in right use of assets	303,739,635
Increase in lease liabilities	362,979,467
Reduction in retained earnings	(59,239,832)

Right of Use (RoU) Assets / Lease Liabilities

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

Right of Use Assets

The Group applies the cost model, and measures right of use assets at cost:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications.

If there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transaction, etc., these need to be added to the RoU asset value.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Group measures the lease liability by:

- a) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease payments are discounted using the incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the interim condensed consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 NEW STANDARDS ISSUED BUT NOT EFFECTIVE

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

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

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

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

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

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

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

Impairment of non-financial assets

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

Impairment of trade receivable

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

Employees' terminal benefits liabilities

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

Property and equipment useful life and residual value

Any change in the estimated useful life or depreciation pattern will be accounted for prospectively.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

4 OPERATING SEGMENTS

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

The following summary describes the operations of each reportable segment.

Hospitality: represents hotels owned by the Group and revenues generated through them whether these hotels are operated by the Group or by a third party.

Property management: represents management and operation of hotels and properties that are not owned by the Group.

Property rental: represents properties owned by the Group which are leased to others. These properties primarily comprise of residential compounds and commercial complexes.

Others: represents corporate office and other support services departments.

Following is a summary of certain financial information for the nine-month periods ended 30 September 2019 and 2018 and as at 31 December 2018:

30 September 2019						
SR	<i>Hospitality</i>	<i>Property management</i>	<i>Property rental</i>	<i>Others</i>	<i>Elimination</i>	<i>Total</i>
Revenue from external customer	292,575,568	5,252,609	82,176,986	-	-	380,005,163
Inter-segment revenue	1,294,219	15,358,817	4,826,724	-	(21,479,760)	-
Segments costs	(279,230,525)	(3,973,731)	(25,306,189)	-	-	(308,510,445)
Segments gross profit	13,345,043	1,278,878	56,870,797	-	-	71,494,718
Depreciation	49,561,205	-	12,919,685	2,978,384	-	65,459,274
Property and equipment	876,992,487	-	891,500,774	92,801,156	-	1,861,294,417
Right of use assets	271,509,092	-	20,116,225	-	-	291,625,317
Capital work in progress	607,298,487	-	246,472,611	-	-	853,771,098
Segments total assets	1,805,994,261	-	1,570,380,360	92,801,156	-	3,469,175,777
Segments total liabilities	232,950,791	-	1,481,940,593	-	-	1,714,891,384

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

4 OPERATING SEGMENTS (continued)

<i>30 September 2018</i>		<i>Property</i>	<i>Property</i>			
<i>SR</i>	<i>Hospitality</i>	<i>management</i>	<i>rental</i>	<i>Others</i>	<i>Elimination</i>	<i>Total</i>
Revenue from external customer	265,830,239	4,686,795	70,635,011	-	-	341,152,045
Inter-segment revenue	5,518,365	2,737,614	11,440,279	-	(19,696,258)	-
Segments costs	(227,153,989)	(4,011,923)	(29,816,747)	-	-	(260,982,659)
Segments gross profit	38,676,250	674,872	40,818,264	-	-	80,169,386
Depreciation	39,143,744	-	9,299,127	3,024,172	-	51,467,043
Property and equipment	810,367,562	-	988,711,203	96,042,784	-	1,895,121,549
Capital work in progress	437,398,112	-	156,165,243	-	-	593,563,355
Segments total assets	1,545,001,368	-	1,197,826,817	96,042,784	-	2,838,870,969
Segments total liabilities	204,392,716	-	826,990,827	-	-	1,031,383,543
<i>31 December 2018</i>		<i>Property</i>	<i>Property</i>			
<i>SR</i>	<i>Hospitality</i>	<i>management</i>	<i>rental</i>	<i>Others</i>	<i>Elimination</i>	<i>Total</i>
Property and equipment	892,930,909	-	905,388,119	95,978,529	-	1,894,297,557
Capital work in progress	506,209,670	-	179,211,575	-	-	685,421,245
Segments total assets	1,703,745,900	-	1,124,518,092	95,978,529	-	2,924,242,521
Segments total liabilities	208,521,700	-	904,723,922	-	-	1,113,245,622

Reconciliation of information on reportable segments to income before zakat of the Group:

	<i>For the nine month period ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>
	<i>SR</i>	<i>SR</i>
Segments gross profit	71,494,718	80,169,386
Un-allocated amount:		
Selling and marketing expenses	(1,153,756)	(823,812)
General and administration expenses	(29,000,279)	(27,003,318)
Finance income	1,311,914	992,570
Financial charges	(18,317,102)	(4,810,454)
Financial charges on lease liabilities	(11,924,538)	-
Other income, net	20,253,797	3,120,301
Share in results of investment in companies	(1,042,428)	(916,957)
Total un-allocated amount	(39,872,392)	(29,441,670)
Income before zakat	31,622,326	50,727,716

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

5 RELATED PARTY TRANSACTIONS AND BALANCES

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

Details of transactions amounts and resulted balances are as follows:

a) *Due from related parties*

<i>Related Party</i>	<i>Relation</i>	<i>Nature of transaction</i>	<i>Amount of transactions for the nine month period ended</i>		<i>Amount of transactions for the year ended</i>	<i>Balance</i>	
			<i>30 September 2019</i>	<i>30 September 2018</i>	<i>31 December 2018</i>	<i>30 September 2019</i>	<i>31 December 2018</i>
			SR	SR	SR	SR	SR
Makarem Al-Saqereyah Hotel	Affiliate	Management fees	920,000	-	-	1,630,516	-
Al Yasmin Compound	Affiliate	Management fees	360,276	229,057	490,929	1,316,790	876,559
Aseela Investment Company	Affiliate	Rent payments	400,000	400,000	400,000	1,150,454	-
Makarim Al Bait Hotel	Affiliate	Management fees	416,620	83,231	416,934	570,626	1,381,480
Um Al Qura Hotel	Affiliate	Management fees	818,031	211,657	712,824	475,396	508,673
Makarem Al Ma'arifa Hospitality Company (note 7)	Associate	Technical fees	-	338,835	463,521	-	18,365,582
Others	Affiliates	Management fees	85,540	645,251	399,858	537,043	1,117,800
						5,680,825	22,250,094

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) *Due to related parties*

<i>Related Party</i>	<i>Relation</i>	<i>Nature of transaction</i>	<i>Amount of transactions for the nine month period ended</i>		<i>Amount of transactions for the year ended</i>	<i>Balance</i>	
			<i>30 September 2019</i>	<i>30 September 2018</i>	<i>31 December 2018</i>	<i>30 September 2019</i>	<i>31 December 2018</i>
			SR	SR	SR	SR	SR
Al Jazira and Dawudia compounds	Affiliate	Payments on behalf	-	-	-	18,460,369	18,957,438
Al Madinah limited Company Limited	Associate	Payments on behalf	-	-	-	14,651,496	14,651,496
Al Jazira Badar	Affiliate	Payments on behalf	756,145	-	-	4,550,289	-
Al Rawda Residence Compound	Affiliate	Management fees	213,061	155,432	308,805	2,489,363	2,656,756
Makarem Mena Hotel	Affiliate	Management fees	-	83,451	492,377	956,925	1,759,008
Al Andalus Residence Compound	Affiliate	Management fees	71,328	319,675	695,995	425,442	775,912
Others	Affiliates	Management fees	-	400,130	532,506	52,567	644,731
						41,586,451	39,445,341

Transactions with key management personnel:

	<i>Amount of transactions for the nine month period ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>
	SR	SR
Salaries, bonuses and end of service of the Group's key management persons	4,479,205	4,540,802

Terms and conditions relating to related party balances

Outstanding balances with related parties at the year-end are unsecured, interest free, settled in cash and due within 12 months of statement of interim condensed consolidated financial position date. There have been no guarantees provided or received for any related party receivables or payables. For the nine month periods ended 30 September 2019 and 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each reporting period by examining the financial position of the related party and the market in which the related party operates.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

6 PREPAYMENTS AND OTHER CURRENT ASSETS

	30 September 2019	31 December 2018
	SR	SR
Advance for rent (*)	17,680,000	-
Receivables	8,092,766	4,398,209
Advances to real estate projects	5,383,841	5,383,841
Advances to suppliers and contractors	3,689,727	1,245,649
Prepaid insurance	3,627,263	3,793,302
Staff advances	2,846,833	3,008,421
Prepaid rent	659,117	1,013,525
Others	5,390,210	4,567,499
	47,369,757	23,410,446

(*) Advance for rent represent a payment to lease a hotel building in Makkah Al-Mukaramah for period a of three and a half years. The non-current portion amounted SAR 43.6 million have been classified under non-current assets

7 INVESTMENT IN COMPANIES

Investment in companies consist of the following:

	30 September 2019	31 December 2018
	SR	SR
Investment in a subsidiary (A)	61,500,000	-
investment in equity accounted investees (B)	14,609,067	25,191,200
	76,109,067	25,191,200

A. Investment in a subsidiary

The amount of advance to acquire a subsidiary (Shada for Hospitality Company) with a percentage share of 60%, and it is not consolidated due to its immateriality.

B. Investment in equity accounted investees

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

	<i>Ownership</i>			
	30 September 2019	31 December 2018		
	%	%	SR	SR
<u>Equity accounted investees</u>				
Saudi Company for Heritage Hospitality	25	25	10,466,777	11,509,205
Al Madinah Hotels Company Limited	50	50	4,142,290	4,142,290
Makarem Al Ma'arifa Hospitality Company	-	50	-	9,539,705
			14,609,067	25,191,200

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

7 INVESTMENT IN COMPANIES (continued)

Movement in the investment in equity accounted investees:

	<i>For the nine month period ended 30 September 2019 SR</i>	<i>For the year ended 31 December 2018 SR</i>
At the beginning of the period / year	25,191,200	26,274,475
Share in net results	(1,042,428)	(1,083,275)
Disposal of investment in equity accounted investees	(9,539,705)	-
At the end of the period / year	<u>14,609,067</u>	<u>25,191,200</u>

During the period ended 30 September 2019, the Group has sold its investment in Makarem Al Ma'arifa Hospitality Company which resulted in net loss of SR 489,185.

8 RIGHT OF USE ASSETS

The Group leases several assets including lands and a building. Information about assets for which the Group is a lessee is presented below:

	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Total SR</i>
<i>Cost:</i>			
At the beginning of the period	51,342,270	252,397,365	303,739,635
<i>Depreciation:</i>			
Charged during the period	<u>(967,644)</u>	<u>(11,146,674)</u>	<u>(12,114,318)</u>
<i>Net book values:</i>			
As at 30 September 2019	<u>50,374,626</u>	<u>241,250,691</u>	<u>291,625,317</u>

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

9 PROPERTY AND EQUIPMENT

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

Buildings	50-75 years	Motor vehicles	4 years
Building improvements	5-10 years	Devices and equipment	5 years
Furniture	10 years	Elevators and central air conditioning	40 years

	<i>Lands</i> <i>SR</i>	<i>Buildings</i> <i>SR</i>	<i>Building</i> <i>improvements</i> <i>SR</i>	<i>Furniture</i> <i>SR</i>	<i>Motor vehicles</i> <i>SR</i>	<i>Devices and</i> <i>equipment</i> <i>SR</i>	<i>Elevators and</i> <i>central air</i> <i>conditioning</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<i>Cost:</i>								
At the beginning of the period	724,671,319	1,446,117,622	91,273,743	288,989,119	8,335,587	80,806,988	63,112,221	2,703,306,599
Additions	-	111,501	4,156,955	450,186	246,534	11,794,072	4,973,308	21,732,556
Disposal	-	(398,483)	-	-	(1,012,236)	(24,795)	-	(1,435,514)
At the end of the period	<u>724,671,319</u>	<u>1,445,830,640</u>	<u>95,430,698</u>	<u>289,439,305</u>	<u>7,569,885</u>	<u>92,576,265</u>	<u>68,085,529</u>	<u>2,723,603,641</u>
<i>Depreciation:</i>								
At the beginning of the period	-	459,362,398	75,549,430	203,661,472	7,954,318	32,448,425	30,032,999	809,009,042
Charge for the period	-	22,166,696	6,507,417	14,540,038	85,294	8,656,251	2,375,151	54,330,847
Disposal	-	-	-	-	(1,012,236)	(18,429)	-	(1,030,665)
At the end of the period	<u>-</u>	<u>481,529,094</u>	<u>82,056,847</u>	<u>218,201,510</u>	<u>7,027,376</u>	<u>41,086,247</u>	<u>32,408,150</u>	<u>862,309,224</u>
<i>Net book values:</i>								
As at 30 September 2019	<u>724,671,319</u>	<u>964,301,546</u>	<u>13,373,851</u>	<u>71,237,795</u>	<u>542,509</u>	<u>51,490,018</u>	<u>35,677,379</u>	<u>1,861,294,417</u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

9 PROPERTY AND EQUIPMENT (continued)

	<i>Lands</i> SR	<i>Buildings</i> SR	<i>Building improvements</i> SR	<i>Furniture</i> SR	<i>Motor vehicles</i> SR	<i>Devices and equipment</i> SR	<i>Elevators and central air conditioning</i> SR	<i>Total</i> SR
<i>Cost:</i>								
At the beginning of the year	724,671,319	1,391,192,997	88,567,543	287,493,017	8,223,587	66,335,614	63,112,221	2,629,596,298
Additions	-	10,400,000	2,706,200	1,527,761	112,000	7,856,173	-	22,602,134
Disposals	-	-	-	(400,200)	-	(1,289,112)	-	(1,689,312)
Transfer from capital work in progress (note 10)	-	44,524,625	-	368,541	-	7,904,313	-	52,797,479
At the end of the year	<u>724,671,319</u>	<u>1,446,117,622</u>	<u>91,273,743</u>	<u>288,989,119</u>	<u>8,335,587</u>	<u>80,806,988</u>	<u>63,112,221</u>	<u>2,703,306,599</u>
<i>Depreciation:</i>								
At the beginning of the year	-	432,347,862	62,722,017	189,825,815	7,889,585	22,833,669	27,666,517	743,285,465
Charge for the year	-	27,014,536	12,827,413	14,235,857	64,733	10,903,868	2,366,482	67,412,889
Disposals	-	-	-	(400,200)	-	(1,289,112)	-	(1,689,312)
At the end of the year	<u>-</u>	<u>459,362,398</u>	<u>75,549,430</u>	<u>203,661,472</u>	<u>7,954,318</u>	<u>32,448,425</u>	<u>30,032,999</u>	<u>809,009,042</u>
<i>Net book values:</i>								
As at 31 December 2018	<u><u>724,671,319</u></u>	<u><u>986,755,224</u></u>	<u><u>15,724,313</u></u>	<u><u>85,327,647</u></u>	<u><u>381,269</u></u>	<u><u>48,358,563</u></u>	<u><u>33,079,222</u></u>	<u><u>1,894,297,557</u></u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

10 CAPITAL WORK IN PROGRESS

Movement in capital work in progress:

	<i>For the nine month period ended 30 September 2019 SR</i>	<i>For the year ended 31 December 2018 SR</i>
At the beginning of the period / year	685,421,245	383,555,729
Additions during the period / year	168,349,853	354,662,995
Transfers to property and equipment (note 9)	-	(52,797,479)
	<hr/>	<hr/>
At the end of the period / year	853,771,098	685,421,245
	<hr/> <hr/>	<hr/> <hr/>

Capitalised borrowing costs

The amount of borrowing costs capitalised for the nine month period ended 30 September 2019 was SR 10.8 million (year ended 31 December 2018: SR 14.3 million). The rate used to determine the amount of borrowing costs eligible for using interest rate of the weighted average borrowings.

11 TERM LOANS

The Group has secured term loans in the form of Murabaha financing an amount of SR 953.7 million as at 30 September 2019 (31 December 2018: SR 748 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by promissory notes and assignment of proceeds from Darraq project rentals.

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

12 LEASE LIABILITIES

The minimum lease payments for the years subsequent to the date of the interim condensed statement of financial position are as follows:

	<i>30 September 2019 SR</i>	<i>31 December 2018 SR</i>
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Within one year	32,611,952	-
After one year but not more than five years	106,310,585	-
More than five years	485,641,756	-
	<hr/>	<hr/>
Total undiscounted lease liabilities	624,564,293	-
	<hr/> <hr/>	<hr/> <hr/>

The net present value of the net lease payments is as follows:

	<i>30 September 2019 SR</i>	<i>31 December 2018 SR</i>
<i>Lease liabilities included in the interim condensed consolidated statement of financial position</i>		
Current portion of lease liabilities	24,533,687	-
Non-current portion of lease liabilities	341,353,838	-
	<hr/>	<hr/>
	365,887,525	-
	<hr/> <hr/>	<hr/> <hr/>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

13 ZAKAT

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

The Company has finalized its Zakat status with the General Authority of Zakat and Tax (“the GAZT”) for all years up to and including 31 December 2009, the Company has further filed its Zakat returns for all years up to 2018 and paid the Zakat payable and obtained the relevant zakat certificate. However, the Company is still waiting to get the final assessments from the GAZT.

Movement in provision for zakat:

	<i>For the nine month period ended 30 September 2019 SR</i>	<i>For the year ended 31 December 2018 SR</i>
At the beginning of the period / year	15,627,777	15,117,862
Provided during the period / year	4,095,000	5,140,558
Refund during the period / year	-	3,117,083
Payments made during the period / year	(7,213,964)	(7,747,726)
	<u>12,508,813</u>	<u>15,627,777</u>

14 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2018: 100 million shares of SR 10 each).

15 DIVIDENDS DECLARATION AND APPROVAL

On 14 March 2019, the Board of Directors approved interim cash dividends of SR 25 million (SR 0.25 per share) for the second half of the year 2018 which was approved by General Assembly in its meeting held on 12 May 2019. On 8 August 2018, the Board of Directors approved interim cash dividends of SR 25 million (SR 0.25 per share) for the first half of the year 2018 and on 26 February 2018, the Board of Directors approved interim cash dividends of SR 30 million (SR 0.3 per share) for the second half of the year 2017 which were approved by General Assembly in its meeting held on 29 March 2018.

16 OTHER INCOME, NET

	<i>For the nine month period ended 30 September 2019 SR</i>	<i>30 September 2018 SR</i>
Recovery of bad debts previously written off	8,645,222	1,721,791
Income from assignment of a contract	5,140,000	-
Settlement related to a liability	4,100,000	-
Compensation for claim from tenants	2,184,050	-
Others, net	184,525	1,398,510
	<u>20,253,797</u>	<u>3,120,301</u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

17 BASIC AND DILUTED EARNINGS PER SHARE

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

18 COMMITMENTS AND CONTINGENCIES

Capital commitments

For the nine month period ended 30 September 2019, the Group has entered into capital commitments of SR 32.7 million (31 December 2018: SR 129 million) related to its capital work in progress.

Contingencies

For the nine month period ended 30 September 2019, the Group had issued letters of guarantee amounting to SR 29.9 million (31 December 2018: SR 38.9 million). These guarantees are without cash margin.

Legal claim contingency

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

19 INTERIM RESULTS

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

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

i) Financial Assets

	<i>30 September 2019 SR</i>	<i>31 December 2018 SR</i>
Financial assets classified as available for sale		
Investment at fair value through other comprehensive income (FVOCI)	7,000,000	7,000,000
Financial assets carried at amortized cost		
Trade receivables	124,848,149	104,053,300
Due from related parties	5,680,825	22,250,094
Total financial assets carried at amortized cost	130,528,974	126,303,394
Total financial assets	137,528,974	133,303,394
Total current financial assets	130,528,974	126,303,394
Total non-current financial assets	7,000,000	7,000,000
Total financial assets	137,528,974	133,303,394

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)

At 30 September 2019

20 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

ii) Financial liabilities

	<i>30 September 2019 SR</i>	<i>31 December 2018 SR</i>
Financial liabilities carried at amortised cost		
Trade payables	28,825,470	16,398,327
Term loans	953,692,621	748,016,646
Due to related parties	41,586,451	39,445,341
Total financial liabilities carried at amortized cost	<u>1,024,104,542</u>	<u>803,860,314</u>
Total current financial liabilities	166,429,248	148,334,728
Total non-current financial liabilities	857,675,294	655,525,586
Total financial liabilities carried at amortized cost	<u>1,024,104,542</u>	<u>803,860,314</u>

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

21 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 6 Rabi Awal 1441H (corresponding to 3 November 2019).