

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

30 June 2019

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the six month period ended 30 June 2019

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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 June 2019, and the related interim condensed consolidated statement of comprehensive income for three and six month periods ended 30 June 2019, and the related interim condensed consolidated statements of changes in equity and cash flows for the six 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
License No. 354



Riyadh: 18 Dhul-Hijjah 1440H
(19 August 2019)

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION

As at 30 June 2019

| | Note | 30 June 2019 (Unaudited) SR | 31 December 2018 (Audited) SR |
|--|------|--------------------------------------|--|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 141,938,581 | 139,789,605 |
| Trade receivables | | 106,819,281 | 104,053,300 |
| Due from related parties | 5 | 5,152,336 | 22,250,094 |
| Prepayments and other current assets | 6 | 153,084,510 | 23,410,446 |
| Inventories | | 23,250,742 | 22,829,074 |
| TOTAL CURRENT ASSETS | | 430,245,450 | 312,332,519 |
| NON-CURRENT ASSETS | | | |
| Investment at fair value through other comprehensive income (FVOCI) | | 7,000,000 | 7,000,000 |
| Investment in equity accounted investees | 7 | 14,909,065 | 25,191,200 |
| Right of use assets | 8 | 295,678,671 | - |
| Property and equipment | 9 | 1,873,100,682 | 1,894,297,557 |
| Capital work in progress | 10 | 802,967,314 | 685,421,245 |
| TOTAL NON-CURRENT ASSETS | | 2,993,655,732 | 2,611,910,002 |
| TOTAL ASSETS | | 3,423,901,182 | 2,924,242,521 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade payables | | 14,147,651 | 16,398,327 |
| Accrued expenses and other current liabilities | | 210,721,338 | 190,202,409 |
| Due to related parties | 5 | 43,272,142 | 39,445,341 |
| Term loans - current portion | 11 | 114,491,062 | 92,491,060 |
| Dividend payable | | 47,488,530 | 47,074,234 |
| Lease liabilities - current portion | 12 | 36,161,865 | - |
| Provision for zakat | 13 | 11,260,797 | 15,627,777 |
| TOTAL CURRENT LIABILITIES | | 477,543,385 | 401,239,148 |
| NON-CURRENT LIABILITIES | | | |
| Term loans - noncurrent portion | 11 | 812,644,640 | 655,525,586 |
| Employees' terminal benefits liabilities | | 57,673,467 | 56,480,888 |
| Lease liabilities - noncurrent portion | 12 | 336,668,928 | - |
| TOTAL NON-CURRENT LIABILITIES | | 1,206,987,035 | 712,006,474 |
| TOTAL LIABILITIES | | 1,684,530,420 | 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 June 2019

| | | 30 June 2019 (Unaudited) SR | 31 December 2018 (Audited) SR |
|--|----|--------------------------------------|--|
| 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 | | 60,771,382 | 131,662,069 |
| | | <hr/> | <hr/> |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | 1,703,773,872 | 1,774,664,559 |
| Non-controlling interest | | 35,596,890 | 36,332,340 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY | | 1,739,370,762 | 1,810,996,899 |
| | | <hr/> | <hr/> |
| TOTAL LIABILITIES AND EQUITY | | 3,423,901,182 | 2,924,242,521 |
| | | <hr/> <hr/> | <hr/> <hr/> |

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 six month periods ended 30 June 2019

| | Note | For the three month period ended | | For the six month period ended | |
|--|------|-------------------------------------|-----------------------|-----------------------------------|-----------------------|
| | | 30 June 2019 SR | 30 June 2018 SR | 30 June 2019 SR | 30 June 2018 SR |
| REVENUES | | | | | |
| Hospitality income | | 97,590,118 | 89,569,808 | 185,190,950 | 181,557,208 |
| Rental income | | 27,311,013 | 24,284,754 | 53,383,656 | 46,205,073 |
| Management fees | | 1,447,005 | 1,129,637 | 2,270,669 | 2,294,720 |
| TOTAL REVENUES | | 126,348,136 | 114,984,199 | 240,845,275 | 230,057,001 |
| COST OF REVENUES | | | | | |
| | | (109,143,016) | (89,638,100) | (199,451,632) | (176,273,792) |
| GROSS PROFIT | | 17,205,120 | 25,346,099 | 41,393,643 | 53,783,209 |
| EXPENSES | | | | | |
| Selling and marketing | | (712,900) | (275,430) | (822,733) | (752,993) |
| General and administration | | (9,639,742) | (10,129,634) | (20,193,384) | (18,390,099) |
| TOTAL EXPENSES | | (10,352,642) | (10,405,064) | (21,016,117) | (19,143,092) |
| OPERATING INCOME | | 6,852,478 | 14,941,035 | 20,377,526 | 34,640,117 |
| Financial charges | 11 | (6,132,050) | (1,633,865) | (12,051,133) | (1,914,296) |
| Financial charges on lease liabilities | 12 | (3,878,892) | - | (7,922,816) | - |
| Finance income | | 646,060 | 362,558 | 922,830 | 585,287 |
| Other income, net | 16 | 7,515,900 | 1,387,630 | 14,764,718 | 2,212,790 |
| Share in net results of equity accounted investees | 7 | (300,002) | (251,208) | (742,430) | (551,208) |
| INCOME BEFORE ZAKAT | | 4,703,494 | 14,806,150 | 15,348,695 | 34,972,690 |
| Zakat | 13 | (1,375,000) | (1,460,000) | (2,735,000) | (2,770,000) |
| NET INCOME FOR THE PERIOD | | 3,328,494 | 13,346,150 | 12,613,695 | 32,202,690 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | | | | |
| | | 3,328,494 | 13,346,150 | 12,613,695 | 32,202,690 |
| Attributable to: | | | | | |
| Equity holders of the parent | | 3,864,864 | 14,086,835 | 13,349,145 | 32,213,296 |
| Non-controlling interest | | (536,370) | (740,685) | (735,450) | (10,606) |
| | | 3,328,494 | 13,346,150 | 12,613,695 | 32,202,690 |
| Basic and diluted earnings per share | 17 | 0.03 | 0.13 | 0.13 | 0.32 |

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 six month period 30 June 2019

| | Note | Share capital SR | Statutory reserve SR | Contractual reserves SR | Retained earnings SR | Total SR | Non-controlling interest SR | Total equity SR |
|--|------|----------------------|----------------------------|-------------------------------|----------------------------|----------------------|-----------------------------------|-----------------------|
| <u>For the six month period ended 30 June 2019</u> | | | | | | | | |
| 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 | | - | - | - | 13,349,145 | 13,349,145 | (735,450) | 12,613,695 |
| 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 | 60,771,382 | 1,703,773,872 | 35,596,890 | 1,739,370,762 |
| <u>For the six month period ended 30 June 2018</u> | | | | | | | | |
| 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 | | - | - | - | 32,213,296 | 32,213,296 | (10,606) | 32,202,690 |
| Dividends | 15 | - | - | - | (30,000,000) | (30,000,000) | - | (30,000,000) |
| At the end of the period (unaudited) | | 1,000,000,000 | 500,000,000 | 143,002,490 | 138,210,303 | 1,781,212,793 | 36,979,607 | 1,818,192,400 |

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 six month period ended 30 June 2019

| | | For the six month period ended | |
|---|------|--------------------------------|-----------------|
| | | 30 June 2019 | 30 June 2018 |
| | Note | SR | SR |
| OPERATING ACTIVITIES | | | |
| Income before zakat | | 15,348,695 | 34,972,690 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 9 | 34,343,342 | 33,990,950 |
| Amortisation of right of use assets | 8 | 8,060,964 | - |
| Provision for expected credit loss, net | | 802,489 | (141,781) |
| Write-off of slow moving inventory | | 1,024,449 | 635,642 |
| Share in net results of equity accounted investees | 7 | 742,430 | 551,208 |
| Loss on sale of equity accounted investees | | 489,185 | - |
| Employees' terminal benefits | | 5,450,424 | 4,908,446 |
| | | 66,261,978 | 74,917,155 |
| Changes in operating assets and liabilities: | | | |
| Trade receivables | | (3,568,470) | (11,072,381) |
| Prepayments and other current assets | | (68,174,064) | (2,649,892) |
| Inventories | | (1,446,117) | (88,382) |
| Due from related parties | | 17,097,758 | 1,597,945 |
| Trade payables | | (2,250,676) | (6,125,064) |
| Accrued expenses and other current liabilities | | 16,728,953 | 24,466,756 |
| Due to related parties | | 3,826,801 | 32,452,961 |
| Cash from operations | | 28,476,163 | 113,499,098 |
| Zakat paid | 13 | (7,101,980) | (935,419) |
| Employees' terminal benefits paid | | (4,257,845) | (5,674,515) |
| Net cash from operating activities | | 17,116,338 | 106,889,164 |
| INVESTING ACTIVITIES | | | |
| Additions to property and equipment | 9 | (13,560,349) | (4,991,063) |
| Additions to capital work in progress | 10 | (117,546,069) | (150,058,037) |
| Advance for investment in a subsidiary | 1 | (37,980,000) | - |
| Net cash used in investing activities | | (169,086,418) | (155,049,100) |
| FINANCING ACTIVITIES | | | |
| Proceeds from term loans, net | | 179,119,056 | 109,130,019 |
| Dividends for shareholders | 15 | (25,000,000) | (30,000,000) |
| Net cash from financing activities | | 154,119,056 | 79,130,019 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 2,148,976 | 30,970,083 |
| 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 | | 141,938,581 | 184,176,980 |

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 June 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:

| Subsidiary | Share Capital SR | Direct and indirect Ownership % | |
|---|------------------------|------------------------------------|---------------------|
| | | 30 June 2019 | 31 December 2018 |
| 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, Shada Hospitality Company, a limited liability company registered in the Kingdom of Saudi Arabia which is engaged in operating of furnished apartment. The acquisition is expected to be finalised in third quarter of 2019.

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 June 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 June 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 June 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 June 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 June 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.

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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 six-month periods ended 30 June 2019 and 2018 and as at 31 December 2018:

| 30 June 2019 SR | Hospitality | Property management | Property Rental | Others | Elimination | Total |
|--|---------------|------------------------|--------------------|------------|--------------|----------------------|
| Revenue from external customer | 185,190,950 | 2,270,669 | 53,383,656 | - | - | 240,845,275 |
| Inter-segment revenue | 856,476 | 9,068,657 | 3,222,236 | - | (13,147,369) | - |
| Segments costs | (180,761,248) | (2,915,958) | (15,774,426) | - | - | (199,451,632) |
| Segments gross profit | 4,429,702 | (645,289) | 37,609,230 | - | - | 41,393,643 |
| Depreciation of property, equipment and rights of use assets | 32,624,600 | - | 7,805,673 | 1,974,033 | - | 42,404,306 |
| Property and equipment | 883,174,955 | - | 896,789,596 | 93,136,131 | - | 1,873,100,682 |
| Right of use assets | 275,345,820 | - | 20,332,851 | - | - | 295,678,671 |
| Capital work in progress | 564,763,852 | - | 238,203,462 | - | - | 802,967,314 |
| Segments total assets | 1,747,734,359 | - | 1,583,030,692 | 93,136,131 | - | 3,423,901,182 |
| Segments total liabilities | 225,519,987 | - | 1,459,010,433 | - | - | 1,684,530,420 |

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4 OPERATING SEGMENTS (continued)

| 30 June 2018 SR | Hospitality | Property management | Property Rental | Others | Elimination | Total |
|---|---------------|------------------------|--------------------|------------|-------------|---------------|
| Revenue from external customer | 181,557,208 | 2,294,720 | 46,205,073 | - | - | 230,057,001 |
| Inter-segment revenue | 423,382 | 5,141,397 | 1,611,118 | - | (7,175,897) | - |
| Segments direct costs | (158,039,748) | (2,686,806) | (15,547,238) | - | - | (176,273,792) |
| Segments gross profit | 23,517,460 | (392,086) | 30,657,835 | - | - | 53,783,209 |
| Depreciation of property and equipment | 25,818,304 | - | 6,158,409 | 2,014,237 | - | 33,990,950 |
| Property and equipment capital work in progress | 811,493,529 | - | 948,749,562 | 97,064,422 | - | 1,857,307,513 |
| Segments total assets | 377,881,814 | - | 155,731,952 | - | - | 533,613,766 |
| Segments total liabilities | 1,487,580,591 | - | 1,175,387,730 | 97,064,422 | - | 2,760,032,743 |
| | 224,197,614 | - | 717,653,335 | - | - | 941,850,949 |
| 31 December 2018 SR | Hospitality | Property Management | Property Rental | Others | Elimination | Total |
| 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:

| | For the six month period ended | |
|--|--------------------------------|-----------------------|
| | 30 June 2019 SR | 30 June 2018 SR |
| Profit from reported segment | 41,393,643 | 53,783,209 |
| Un-allocated amount: | | |
| Selling and marketing expenses | (822,733) | (752,993) |
| General and administration expenses | (20,193,384) | (18,390,099) |
| Finance income | 922,830 | 585,287 |
| Financial charges | (19,973,949) | (1,914,296) |
| Other income, net | 14,764,718 | 2,212,790 |
| Share in results of equity accounted investees | (742,430) | (551,208) |
| Total un-allocated amount | (26,044,948) | (18,810,519) |
| Income before zakat | 15,348,695 | 34,972,690 |

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At 30 June 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*

| Related Party | Relation | Nature of transaction | Amount of transactions for the six month period ended | | Amount of transactions for | Balance | |
|---|------------|-----------------------|---|--------------|---------------------------------|------------------|------------------|
| | | | 30 June 2019 | 30 June 2018 | the year ended 31 December 2018 | 30 June 2019 | 31 December 2018 |
| | | | SR | SR | SR | SR | SR |
| Al Yasmin Compound | Affiliate | Management fees | 236,990 | 229,057 | 490,929 | 1,185,013 | 876,559 |
| Makarim Al Bait Hotel | Affiliate | Management fees | 40,180 | 83,231 | 416,934 | 1,102,685 | 1,381,480 |
| Aseela Investment Company | Affiliate | Rent payments | 400,000 | 400,000 | 400,000 | 1,100,150 | - |
| Um Al Qura Hotel | Affiliate | Management fees | 332,704 | 211,657 | 712,824 | 1,023,650 | 508,673 |
| Makarem Al Ma'arifa Hospitality Company | Associate | Technical fees | - | 338,835 | 463,521 | - | 18,365,582 |
| Others | Affiliates | Management fees | 235,053 | | 399,858 | 740,838 | 1,117,800 |
| | | | | | | 5,152,336 | 22,250,094 |

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At 30 June 2019

5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due to related parties

| Related Party | Relation | Nature of transaction | Amount of transactions for the six month period ended | | Amount of transactions for the year ended | Balance | |
|------------------------------------|------------|-----------------------|---|--------------|---|-------------------|-------------------|
| | | | 30 June 2019 | 30 June 2018 | 31 December 2018 | 30 June 2019 | 31 December 2018 |
| | | | SR | SR | SR | SR | SR |
| Al Madinah limited Company Limited | Associate | Payments on behalf | - | - | - | 14,651,496 | 14,651,496 |
| Al Jazira and Dawudia compounds | Affiliate | Payments on behalf | - | - | - | 19,404,064 | 18,957,438 |
| Al Jazira Badar | Affiliate | Payments on behalf | 718,457 | - | - | 4,353,721 | - |
| Al Rawda Residence Compound | Affiliate | Management fees | 132,279 | 155,432 | 308,805 | 2,570,236 | 2,656,756 |
| Makarem Mena Hotel | Affiliate | Management fees | 82,824 | 83,451 | 492,377 | 1,437,843 | 1,759,008 |
| Al Andalus Residence Compound | Affiliate | Management fees | 35,542 | 319,675 | 695,995 | 462,532 | 775,912 |
| Others | Affiliates | Management fees | 303,936 | 400,130 | 532,506 | 392,250 | 644,731 |
| | | | | | | 43,272,142 | 39,445,341 |

Transactions with key management personnel:

| | Amount of transactions for the six month period ended | |
|--|---|--------------|
| | 30 June 2019 | 30 June 2018 |
| | SR | SR |
| Salaries, bonuses and end of service of the Group's key management persons | 2,922,774 | 2,934,749 |

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 six month periods ended 30 June 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.

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At 30 June 2019

6 PREPAYMENTS AND OTHER CURRENT ASSETS

| | 30 June 2019 SR | 31 December 2018 SR |
|---------------------------------------|---------------------------|---------------------------|
| Advances to suppliers and contractors | 83,684,075 | 1,245,649 |
| Advances to acquire a subsidiary | 37,980,000 | - |
| Non trade receivables | 10,051,587 | 4,398,209 |
| Prepaid insurance | 6,429,254 | 3,793,302 |
| Advances to real estate projects | 5,383,841 | 5,383,841 |
| Staff advances | 1,329,681 | 3,008,421 |
| Prepaid rent | 719,489 | 1,013,525 |
| Others | 7,506,583 | 4,567,499 |
| | <u>153,084,510</u> | <u>23,410,446</u> |

Overall increase in advances to suppliers and contractors is due to advance payment of SR 56.2 million to the owner of Jabal Alka'aba Hotel as per the agreement in which he will build and Dur will operate the hotel.

7 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

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.

| | Ownership | | 30 June 2019 SR | 31 December 2018 SR |
|---|----------------------|--------------------------|--------------------------|---------------------------|
| | 30 June 2019 % | 31 December 2018 % | | |
| <u>Equity accounted investees</u> | | | | |
| Saudi Company for Heritage Hospitality | 25 | 25 | 10,766,775 | 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 |
| | | | <u>14,909,065</u> | <u>25,191,200</u> |

Movement in the investment in equity accounted investees:

| | For the six month period ended 30 June 2019 SR | For the year ended 31 December 2018 SR |
|--|--|---|
| At the beginning of the period / year | 25,191,200 | 26,274,475 |
| Share in net results | (742,430) | (1,083,275) |
| Disposal of investment in equity accounted investees | (9,539,705) | - |
| At the end of the period / year | <u>14,909,065</u> | <u>25,191,200</u> |

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

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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>Land</i> | <i>Building</i> | <i>Total</i> |
|--------------------------------|-------------------|--------------------|--------------------|
| | <i>SR</i> | <i>SR</i> | <i>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 | 850,250 | 7,210,714 | 8,060,964 |
| <i>Net book values:</i> | | | |
| As at 30 June 2019 | 50,492,020 | 245,186,651 | 295,678,671 |

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

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

At 30 June 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 |

| | Lands SR | Buildings SR | Building improvements SR | Furniture SR | Motor vehicles SR | Devices and equipment SR | Elevators and central air conditioning SR | Total SR |
|--------------------------------|---------------------------|---------------------------|--------------------------------|--------------------------|-----------------------|--------------------------------|--|-----------------------------|
| Cost: | | | | | | | | |
| At the beginning of the period | 724,671,319 | 1,446,117,621 | 91,273,744 | 288,989,119 | 8,335,587 | 80,806,988 | 63,112,221 | 2,703,306,599 |
| Additions | - | 111,500 | 1,515,050 | 387,499 | 118,690 | 6,457,941 | 4,969,669 | 13,560,349 |
| Disposal / write off | - | (398,483) | - | - | - | (15,400) | - | (413,883) |
| At the end of the period | <u>724,671,319</u> | <u>1,445,830,638</u> | <u>92,788,794</u> | <u>289,376,618</u> | <u>8,454,277</u> | <u>87,249,529</u> | <u>68,081,890</u> | <u>2,716,453,065</u> |
| Depreciation: | | | | | | | | |
| At the beginning of the period | - | 459,362,398 | 75,549,430 | 203,661,472 | 7,954,318 | 32,448,424 | 30,032,999 | 809,009,041 |
| Charge for the period | - | 14,852,526 | 3,120,049 | 9,277,312 | 47,960 | 5,636,835 | 1,408,660 | 34,343,342 |
| At the end of the period | <u>-</u> | <u>474,214,924</u> | <u>78,669,479</u> | <u>212,938,784</u> | <u>8,002,278</u> | <u>38,035,259</u> | <u>31,441,659</u> | <u>843,352,383</u> |
| Net book values: | | | | | | | | |
| As at 30 June 2019 | <u>724,671,319</u> | <u>971,615,714</u> | <u>14,119,315</u> | <u>76,437,834</u> | <u>451,999</u> | <u>49,164,270</u> | <u>36,640,231</u> | <u>1,873,100,682</u> |

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At 30 June 2019

9 PROPERTY AND EQUIPMENT (continued)

| | Lands SR | Buildings SR | Building improvements SR | Furniture SR | Motor vehicles SR | Devices and equipment SR | Elevators and central air conditioning SR | Total 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 | 59,131,857 | 70,315,978 | 2,629,596,298 |
| Additions | - | 10,400,000 | 2,706,200 | 1,527,761 | 112,000 | 7,580,735 | 275,438 | 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 | - | 7,097,486 | 806,827 | 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>72,520,966</u> | <u>71,398,243</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 | 21,676,449 | 28,823,737 | 743,285,465 |
| Charge for the year | - | 27,014,536 | 12,827,413 | 14,235,857 | 64,733 | 9,316,400 | 3,953,950 | 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>29,703,737</u> | <u>32,777,687</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>42,817,229</u></u> | <u><u>38,620,556</u></u> | <u><u>1,894,297,557</u></u> |

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10 CAPITAL WORK IN PROGRESS

Capital work in progress represents mainly the costs of construction of Marriot Hotel and Executive Apartment Project in Diplomatic Quarter amounting to SR 373.2 million (31 December 2018: SR 335.7 million), Darraq Housing Project (Phases IV, V) amounting to SR 128.7 million (31 December 2018: SR 101 million), expansion of Marriot Riyadh Airport Hotel amounting to SR 77.7 million (31 December 2018: SR 54.7 million), construction of Aljubail hotel SR 52.6 million (31 December 2018: SR 31.2 million), renovation cost of Makarem Ajyadh Makkah Hotel of SR 14.6 million (31 December 2018: SR 8.2 million) and cost for other projects is SR 156.1 (31 December 2018: SR 154.6 million).

Capitalised borrowing costs

The amount of borrowing costs capitalised for the six month period ended 30 June 2019 was SR 9.7 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.

Movement in capital work in progress:

| | For the six month period ended 30 June 2019 SR | For the year ended 31 December 2018 SR |
|--|--|---|
| At the beginning of the period / year | 685,421,245 | 383,555,729 |
| Additions during the period / year | 117,546,069 | 354,662,995 |
| Transfers to property and equipment (note 9) | - | (52,797,479) |
| | <hr/> | <hr/> |
| At the end of the period / year | <u>802,967,314</u> | <u>685,421,245</u> |

11 TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total limit of SR 1,424 million as at 30 June 2019 (31 December 2018: SR 1,424 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 June 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 | <u>624,564,293</u> | <u>-</u> |

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At 30 June 2019

12 LEASE LIABILITIES (continued)

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

| | 30 June 2019 SR | 31 December 2018 SR |
|---|--------------------------------|------------------------------------|
| <i>Lease liabilities included in the interim condensed consolidated statement of financial position</i> | | |
| Current portion of lease liabilities | 36,161,865 | - |
| Non-current portion of lease liabilities | 336,668,928 | - |
| | 372,830,793 | - |

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:

| | For the six month period ended 30 June 2019 SR | For the year ended 31 December 2018 SR |
|--|--|---|
| At the beginning of the period / year | 15,627,777 | 15,117,862 |
| Provided during the period / year | 2,735,000 | 5,140,558 |
| Refund during the period / year | - | 3,117,083 |
| Payments made during the period / year | (7,101,980) | (7,747,726) |
| At the end of the period / year | 11,260,797 | 15,627,777 |

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 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 was approved by General Assembly in its meeting held on 29 March 2018.

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At 30 June 2019

16 OTHER INCOME, NET

| | For the six month period ended | |
|--|--------------------------------|-------------------------|
| | 30 June 2019 SR | 30 June 2018 SR |
| Recovery of bad debts previously written off | 7,761,833 | 1,349,669 |
| Income from legal case | 2,184,050 | - |
| Income from assignment of a contract | 5,140,000 | - |
| Others, net | (321,165) | 863,121 |
| | <u>14,764,718</u> | <u>2,212,790</u> |

17 BASIC AND DILUTED EARNINGS PER SHARE

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

18 COMMITMENTS AND CONTINGENCIES

Capital commitments

For the six month period ended 30 June 2019, the Group has entered into capital commitments of SR 33.1 million (31 December 2018: SR 129 million) related to its capital work in progress.

Contingencies

For the six month period ended 30 June 2019, the Group had issued letters of guarantee amounting to SR 29.7 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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

At 30 June 2019

20 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

i) Financial Assets

| | 30 June 2019 SR | 31 December 2018 SR |
|---|--------------------|---------------------------|
| 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 | 106,819,281 | 104,053,300 |
| Due from related parties | 5,152,336 | 22,250,094 |
| Total financial assets carried at amortized cost | 111,971,617 | 126,303,394 |
| Total financial assets | 118,971,617 | 133,303,394 |
| | | |
| Total current financial assets | 111,971,617 | 126,303,394 |
| Total non-current financial assets | 7,000,000 | 7,000,000 |
| | 118,971,617 | 133,303,394 |

ii) Financial liabilities

| | 30 June 2019 SR | 31 December 2018 SR |
|--|--------------------|---------------------------|
| Financial liabilities carried at amortised cost | | |
| Trade payables | 14,147,651 | 16,398,327 |
| Term loans | 927,135,702 | 748,016,646 |
| Due to related parties | 43,272,142 | 39,445,341 |
| Total financial liabilities carried at amortized cost | 984,555,495 | 803,860,314 |
| | | |
| Total current financial liabilities | 171,910,855 | 148,334,728 |
| Total non-current financial liabilities | 812,644,640 | 655,525,586 |
| | 984,555,495 | 803,860,314 |

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 18 Dhul-Hijjah 1440H (corresponding to 19 August 2019).