ACHIEVEMENT AND AMBITION

Board of Directors Report
For the Fiscal Year 2019

بسم الله الرحمن الرحیم

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Board of Director's Speech

Honorable Shareholders of the Dur Hospitality Company,
Greetings,

We are pleased to present you with the annual report of "Dur Hospitality" Company and its financial statements for 2019.

Honorable Shareholders, «Dur Hospitality» achieved new distinct and ambitious achievements this year to be added to the Company's track record of successive achievements; and that is within the framework of implementing the hotel and real estate development and operation expansion strategy, while keeping pace with the market demands and the rapid developments; in line with the objectives of the Saudi Vision 2030.

The Company's financial results for 2019 showed an improvement in the Company's operating revenue; as the total revenues amounted to SAR (553) million, registering an increase of SAR (99.7) million and an increase rate of (22%) compared to the previous year. Furthermore, the net operating profit for 2019 amounted to SAR (76.2) million; i.e. an increase of SAR (6.7) million compared to the previous year 2018; due to the entry of new hotel and real estate facilities for operation; in addition to the completion of the renovation of some of the Company's hotels.

The year 2019 witnessed the Company's continuous expansion through opening a number of new hotels; along with introducing new concepts and visions, and developing operations and services. Thanks to God, the Marriott Hotel and the Marriott Hotel Apartments have opened in the Diplomatic Quarters in Riyadh, and they have won many awards, the most important of which is the Golden Leadership in Energy and Environmental Design (LEED) Certificate.

In light of our strategy to develop our hotel's brand "Makarem", we were able to enter Al-Madina market in a remarkable manner, by signing a memorandum of understanding with the General Authority of Endowments; in order to establish a private company to develop a 5-star hotel tower near the Prophet's Mosque; in addition to signing contracts for leasing, managing and operating 3 hotels with the Al Manakha Urban Project Development Holding Company under the brand «Makarem», all located in Al-Madina Central Area close to the Prophet's Mosque.

Furthermore, we have succeeded in implementing our strategic objective in developing our share in the local accommodation market by acquiring 60% of the "Shada Hospitality" Company, through which we have been able to enter for the first time in the high-quality furnished housing units market.

In addition, we have completed leasing Phase 4 and 5 of the Luxurious «Darraq» Residential Project in the Diplomatic Quarters in Riyadh; a qualitative project within the category of residential compounds in the Kingdom.

In our relentless quest to create a unique work environment, we were able to become one of the winners of the 2019 Best Work Environment Award from the "Great Place to Work" Index.

In conclusion, we are honored to extend our thanks and gratitude to our dear partners for their loyalty to the Company; and to our valued shareholders for their continued support to us; and to our qualified staff for their dedication and tireless efforts to achieve the Company's objectives. All these achievements would not have been achieved without the grace of God Almighty, followed by everyone's combined efforts. We will continue to look forward to developing the performance and efficiency; in order to achieve all of the Company's strategic objectives.

Board of Directors

Mr. Badr bin Abdullah Al- Issa
Board Member

Mr. Musaab bin Suleiman Al-Muhaidib
Board Member

Eng. Abdullah Bin Mohammed Al- Issa
Chairman of The Board

Mr. Fahad Bin Abdullah Al-Kassim
Deputy Chairman

Mr. Jihad Bin Abdulrahman Al-Qadi
Board Member (Public Investment Fund Representative)

Mr. Abdullah bin Abdulrahman Al Shamrani
Board Member (General Organization for Social Insurance Representative)

Mr. Talal Bin Abdul Mohsen Al- Malafekh
Board Member (Public Pension Agency Representative)

Dr. Saleh Bin Ali Al-Hathloul
Board Member

Mr. Ibrahim bin Ali Al Aboud
Board Member (Al Nefaie Investment Group Representative)

01 Company Profile

Company Profile

Dur Hospitality Company is a leading public joint-stock company specialized in the hospitality field, founded in 1976 in Saudi Arabia. It is characterized by its track record and extensive experience gained over decades in the management, development and operation of hotels and residential compounds throughout Saudi Arabia, The Company's portfolio includes 28 properties ranging from hotel facilities to residential compounds.

Founded in
1976

28
properties ranging from hotel facilities to residential compounds.

Our Vision

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

INTERNA-TIONAL STAN-DARDS WITH A LOCAL SPIRIT

1.1 The Company's Main Activity

Dur Hospitality Company was established in its former name (Saudi Hotels and Resort Areas Company) as a Saudi joint-stock company based on the Council of Ministers' Decision No. 1776 on the 18th of Dhu Al-Hijjah 1395 AH (Royal Decree No. 69 on the 28th of Rajab 1395 AH) under the Commercial Registration No. 1010010726 on the 6th of Muharram 1397 AH, registered in Riyadh with a capital of 1 billion Saudi Riyals. The Company's purposes according to the Statute are represented as follows:

01

Construction, ownership, management, operation, investment, purchase, participation, rental, and lease of hotels, restaurants, hotel suites, rest houses, entertainment centers, travel and tourism agencies, and private beaches of all levels and sizes, in cities, highways and tourist areas.

02

Ownership and purchase of lands, real estates and enterprises, as well as their development, division and sorting. Construction of residential, commercial and hotel buildings, in addition to their sale, conveyance, or lease, and their utilization by all means of utilization and real estate management, for the benefit of the Company or others; and performance of the operation and maintenance work.

03

Provision of services to the Umrah pilgrims and the visitors of the Prophet's Mosque.

04

Exercise of all the basic and intermediate work required to carry out, process and initiate the various aspects of the activities of the aforementioned work, in accordance with the purposes for which they are intended.

05

Achievement of a high level of service, and the services provided in such locations, and their processing in accordance with their degree in a manner approved by the Board of Directors.

06

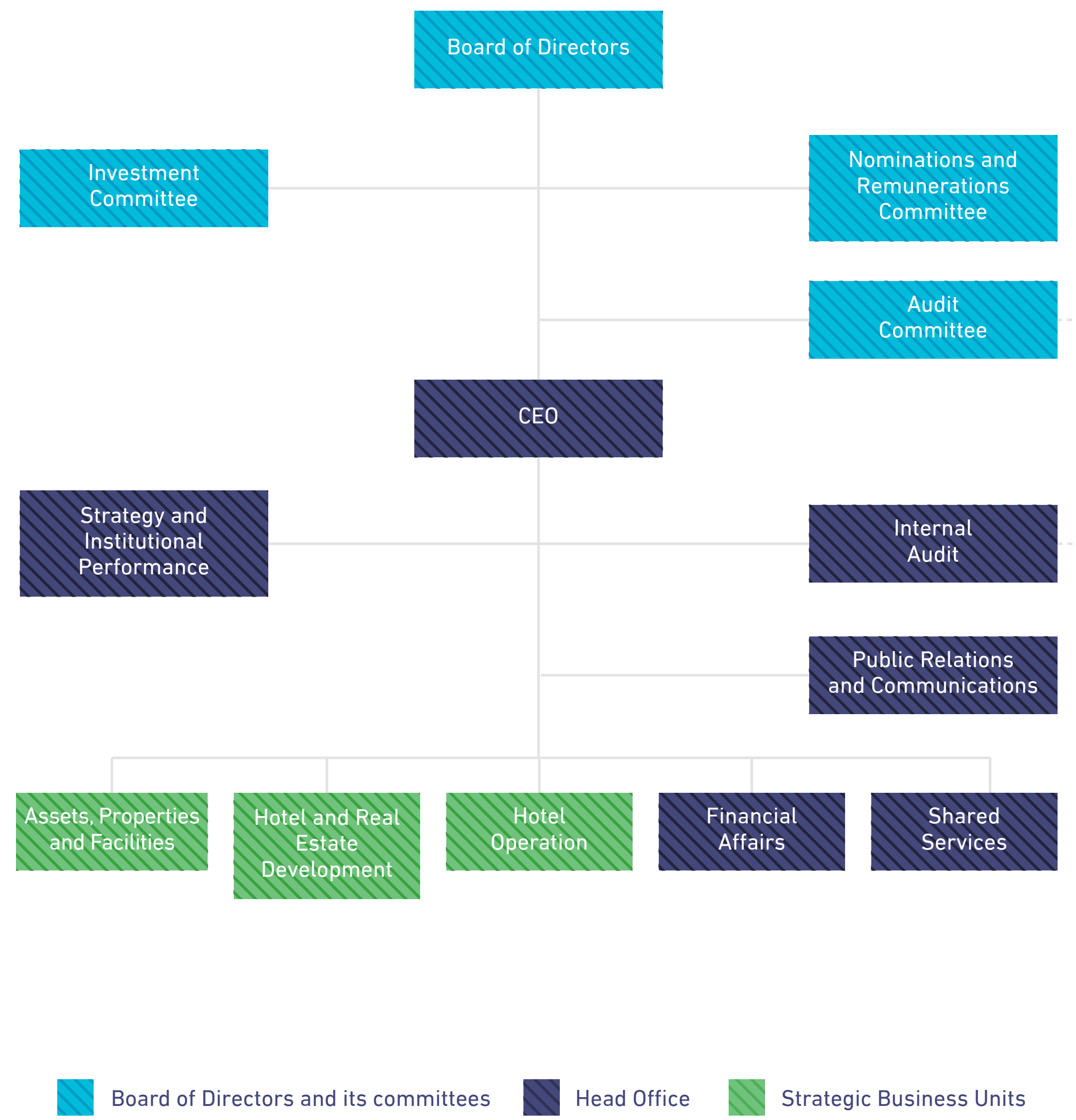
The Company performs the above-mentioned work, directly or in partnership with others, and is entitled to conclude all the necessary contracts to ensure the proper execution of these works.

1.2 The Company's Strategic Direction

The Company continued to implement the strategic direction it announced in 2013, as follows:

- Follow-up with the implementation of the growth plan in the Company-owned enterprises' portfolio, which focuses on the development of a group of hotels that will be managed under international brands in a number of target cities; in addition to the expansion projects in a number of currently existing strategic enterprises; along with developing luxurious residential compounds in privileged locations.
- Expand the spread of the "Makarem" brand dedicated to the Makkah and Medina markets up to 10,000 rooms by 2028.
- Expand the spread of the "Shada" brands, which offer heritage hospitality experiences in a contemporary manner within the serviced apartments and medium-sized hotels sector; in which an acquisition of a majority stake was completed at the beginning of the year; to spread across the Kingdom's regions up to more than 3,400 rooms by 2025.
- The Company is also working on a plan to develop accommodation products that target the expected tourism demand in a range of tourist destinations in the Kingdom.
- Focus on developing a business model to raise the efficiency and build the capacities in a manner that serves the expansion plans and enhances the Company's profitability in light of changes in the business environment and the high operating costs; in addition to adopting the best technical standards and quality management systems, and exploring the digitization opportunities within the business model in a manner that enhances the operations' performance and develops the guest and customer experiences.

1.3 The Company's Organizational Structure



1.4
2019 Highlights

Dur Hospitality Company continued its journey in implementing its strategic plan for investment and development in the hospitality sector, and the following is a brief overview of the highlights experienced by the Company in 2019:

01
Opening of the Marriott Hotel and the Marriott Hotel Apartments in the Diplomatic Quarters

02
Signing a Memorandum of Understanding with the General Authority of Endowments

03
Signing Contracts for Leasing, Managing and Operating 3 Hotels in Medina

04
Acquisition of 60% of the “Shada Hospitality Company”

05
Signing an Agreement to operate a 5-Star Hotel in Jabal Al-Kaaba

06
Winning 9 Awards at Horeca 2019

07
Honoring Dur Hospitality within the “Women Leaders” Program for its Contribution in empowering the Saudi Women

08
2019 Best Work Environment Award from the Great Place to Work Index

09
Dur Hospitality Company’s Participation in the Arabian Travel Market 2019

10
Saudi Hotel Investment Conference 2019 (SHIC)

11
Arabian Hotel Investment Conference (AHIC) in Ras Al Khaimah for 2019

01

Opening of the Marriott Hotel and the Marriott Hotel Apartments in the Diplomatic Quarters

His Royal Highness Prince Faisal bin Bandar bin Abdulaziz Al Saud, Governor of Riyadh, opened the Marriott Hotel and the Marriott Apartments Project in the Diplomatic Quarters in Riyadh, which represents the hospitality sector's most prominent and advanced projects in the Kingdom; thus adding another achievement to its distinctive portfolio.

02

Signing a Memorandum of Understanding with the General Authority of Endowments

Dur Hospitality Company signed a strategic memorandum of understanding with the General Authority of Endowments; in order to establish a private company to develop a 5-star hotel tower in the Medina Central Area; as a property with an area of 1,379 m2 will be leased to develop and operate the hotel under the "Makarem" brand; the Saudi hotel brand belonging to the Dur Hospitality Company, which specializes in serving the guests of the holy cities in Saudi Arabia.

03

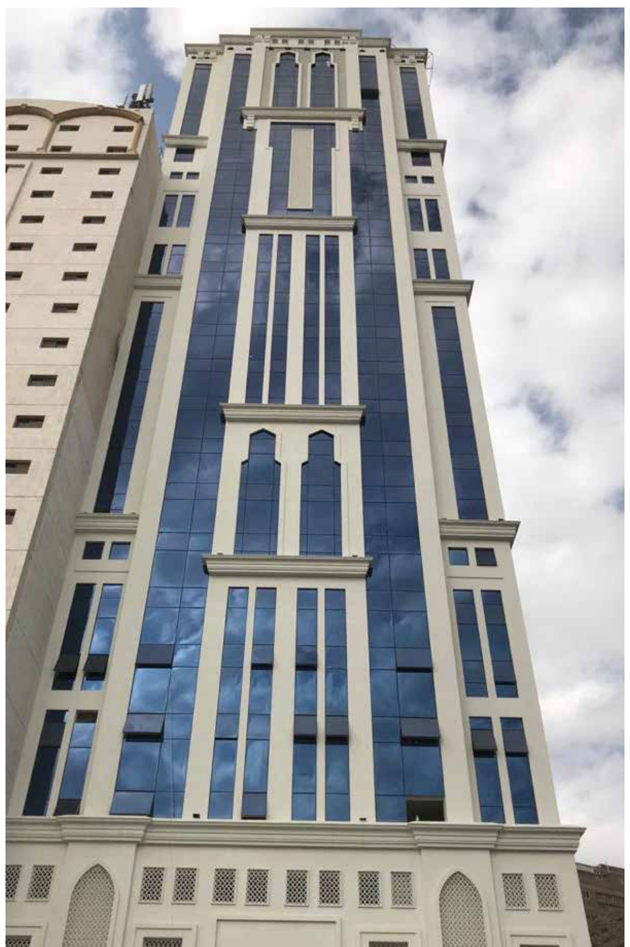
Signing Contracts for Leasing, Managing and Operating 3 Hotels in Medina

Dur Hospitality Company signed contracts with the Al Manakha Urban Project Development Company to lease, manage and operate 3 hotels in the Medina Central Area. Using its operational arm "Makarem", Dur will manage and operate these hotels that are located in a distinct urban project close to the Prophet's Mosque. These hotels contain 1,365 rooms that are scheduled to open over two phases; as the first phase will be in 2021, while the second will be in 2022.

04

Acquisition of 60% of the “Shada Hospitality Company”

60% of the Shada Company has been acquired, which will strengthen Dur’s position in the hospitality sector, and that is by expanding its investment portfolio and entering for the first time in its long journey in the hotel apartment category.



06

Winning 9 Awards at Horeca 2019

Dur Hospitality Company celebrated the remarkable success achieved by a number of its employees; in addition to winning 9 awards and certificates of appreciation in the culinary arts field during their participation in the Horeca Expo 2019, which was hosted by Riyadh between the 26th and the 28th of November.

9 Awards

05

Signing an Agreement to operate a 5-Star Hotel in Jabal Al-Kaaba

Dur Hospitality Company signed a cooperation agreement to lease, manage and operate a 5-star hotel in the Jabal Al-Kaaba region in the Holy Capital, which is being built next to the Meccan Sanctuary. “Makarem” aims by operating this hotel, which consists of 20 floors containing 416 rooms, to strengthen its expansion plan represented in increasing its portfolio to reach 10,000 rooms in the holy cities by 2028; in line with the Saudi Vision 2030.

07

Honoring Dur Hospitality within the "Women Leaders" Program for its Contribution in empowering the Saudi Women

The Ministry of Labor and Social Development honored the Dur Hospitality Company for its participation in the "Women Leaders" Program held on the 26th of November 2019 in Riyadh, Saudi Arabia. The Ministry of Labor hosted the event in cooperation with Princess Nourah University and the French Insead School, in the presence of His Excellency Mr. Ahmed Bin Suleiman Al-Rajhi, Minister of Labor and Social Development.

08

2019 Best Work Environment Award from the Great Place to Work Index

In culmination of the Company's various efforts, activities and workshops in developing a work environment that enables employees to innovate and excel in the customer service and raise the employee satisfaction level, the Company succeeded in becoming one of the winners of the 2019 Best Work Environment Award, according to the Great Place to Work Global Index.

09

Dur Hospitality Company's Participation in the Arabian Travel Market 2019

Makarem Hotels participated in the 26th Arabian Travel Market Exhibition held in Dubai; where it announced its strategic expansion plan to increase its portfolio in Makkah and Medina by increasing the number of rooms operated by Makarem to 10,000 by 2028.

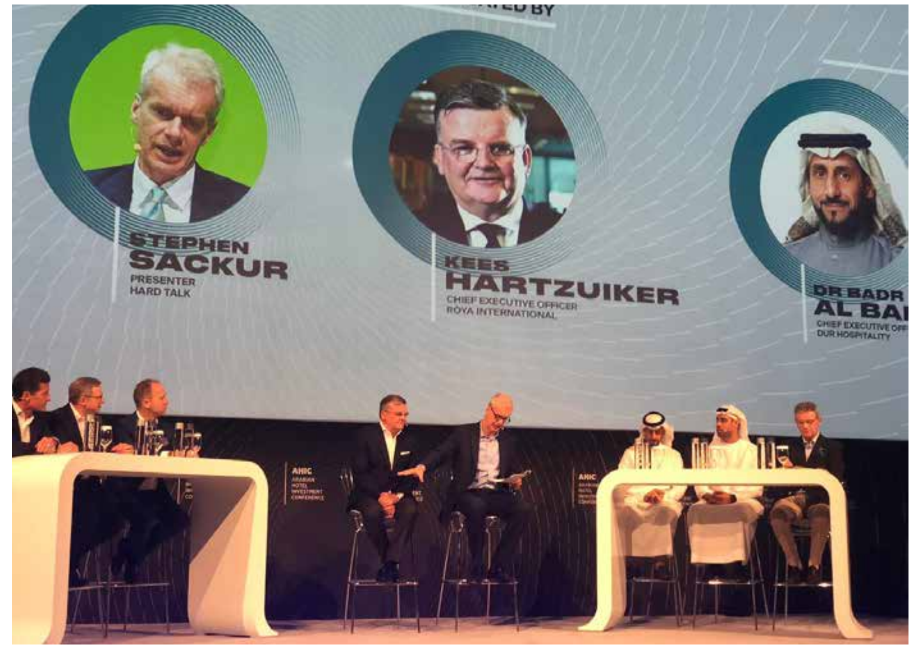
10,000

Rooms in Makarem by 2028

10

Saudi Hotel Investment Conference 2019 (SHIC)

The Company hosted the 2019 Saudi Hotel Investment Conference, pursuant from its sponsorship as a strategic partner at the Marriott Hotel – El-Sefarat District; as the latest investment opportunities in the hospitality sector were presented, in the presence of more than 300 experts from the Middle East and North Africa region.



11

Arabian Hotel Investment Conference (AHIC) in Ras Al Khaimah for 2019

As a platinum sponsor of the “Arab Hotel Investment Conference”, Dur Hospitality participated in the Conference, which is considered one of the leading conferences in the regional hotel sector, and it was attended by a group of industry pioneers and leaders in the region.

02 Business Sectors

2.1 Company's Enterprises

Dur Hospitality's enterprise sector consists of four main categories, namely:

2.1.1
Properties owned by the Company, and managed by other operators

2.1.2
Properties Owned or leased by the company, managed by "Makarem" and "Dur Communities" and "Shada Hotels" Company

2.1.3
Properties owned by others, and managed by "Makarem" and "Dur Communities"

2.1.4
Enterprises invested by the Company, and managed by other operators

These sectors are detailed below:

2.1.1 Properties owned by the Company, and managed by other operators

01

Riyadh Marriott Hotel

418

5-Star Rrooms and Suites

Located in Riyadh

Operator: Marriott International Company

Marriott Courtyard Hotel

02

286

Rrooms and Suites

Located in Riyadh

Operator: Marriott International Company

Marriott Executive Apartments

03

118

Suites

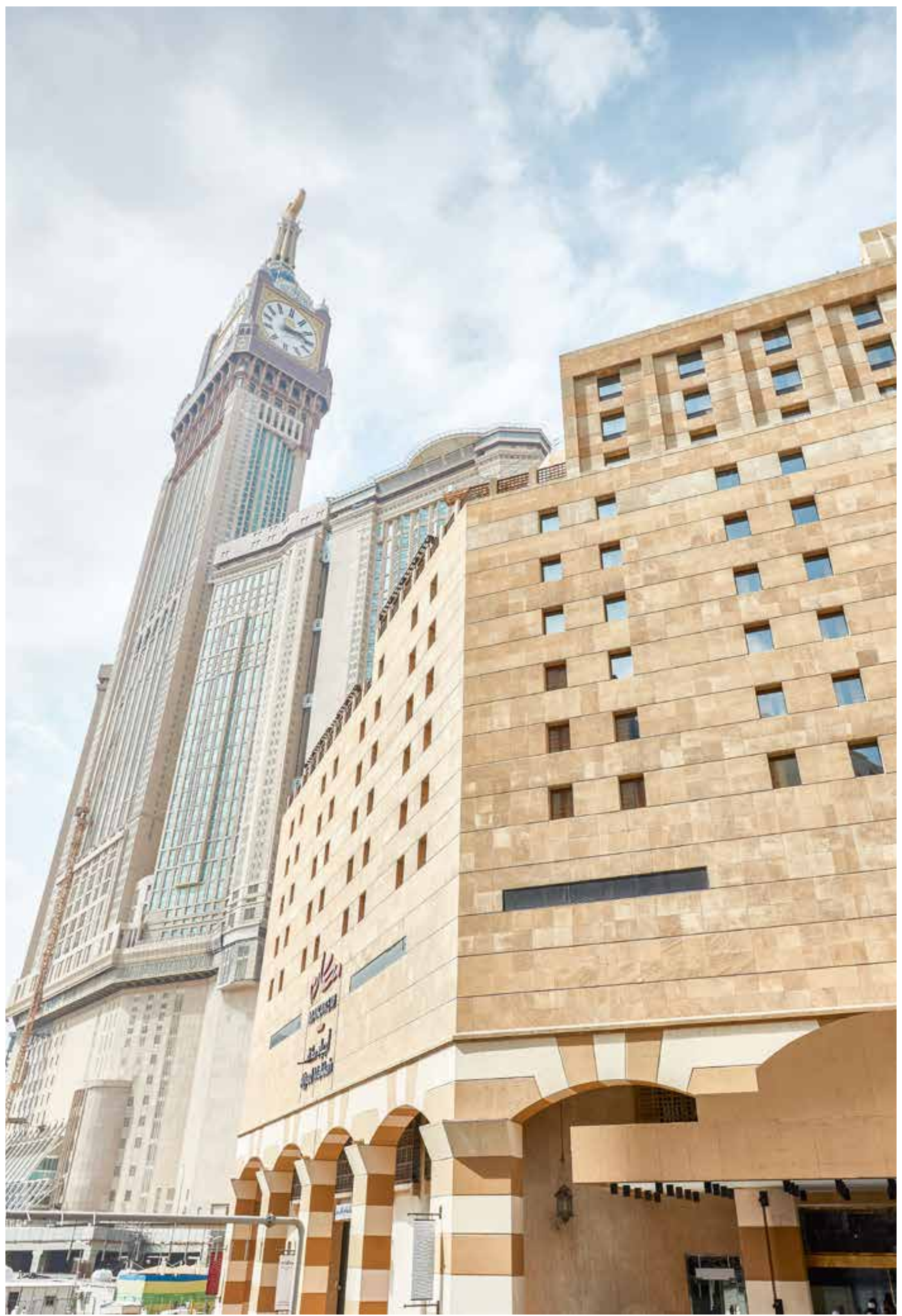
Located in Riyadh

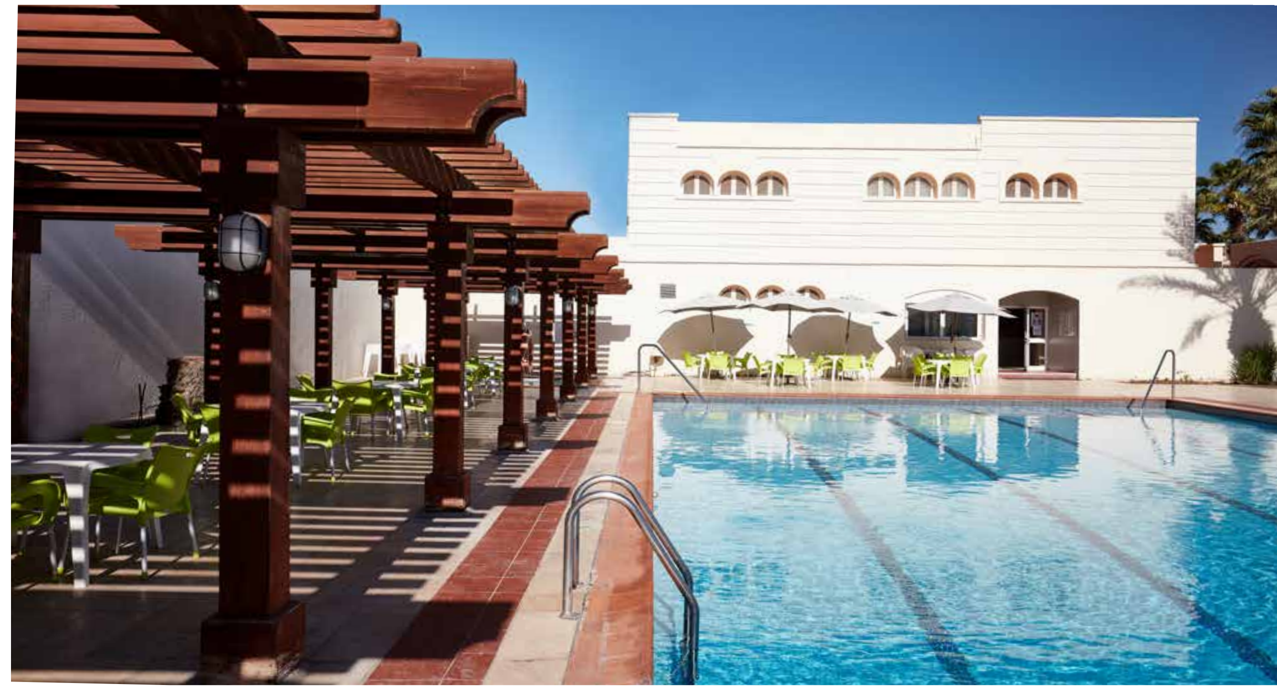
Operator: Marriott International Company

2.1.2 Properties Owned or leased by the company, managed by “Makarem” and “Dur Communities” and “Shada Hotels” Company

01 Makarem Ajyad Makkah Hotel

411
5-Star Rrooms and Suites
Located in Makkah





Makarem Annakheel Village 02

83
Villas

21
Hotel Appartments

43
Rrooms and Suites

Located in Jeddah

Holiday Inn Tabuk Hotel

83
4-Star Rrooms and Suites
Located in Tabuk

03

04

Riyadh Airport Marriott Hotel

248
5-Star Rrooms and Suites
Located in Riyadh

05

Crowne Plaza Riyadh Palace Hotel

304
4-Star Rooms and Suites
Located in Riyadh

06 Darraq Homes

434
Residential Units
Located in El-Sefarat District in Riyadh

07 Dur Al-Sharq Residential Compound

19 **Villas**
59 **Rooms**
Located in Riyadh

08 Awal Plaza (formerly known as Takhassusi Plaza)

20,000m²

A commercial center with more than 20,000 m² of rental space in Riyadh

08
Shada Executive Hotel – Al-Salamah

88
Residential Units
Located in Jeddah

09
Shada Suites – Umluj

20
Residential Units
Located in Umluj

10
Shada Suites – Yasmo

22
Residential Units
Located in Yanbu

11
Shada Suites – Al-Zahra

50
Residential Units
Located in Jeddah

12
Shada Suites – Al-Salamah

28
Residential Units
Located in Jeddah

13
Shada Suites – Al-Hamra

29
Residential Units
Located in Jeddah

2.1.3 Properties owned by others, and managed by "Makarem" and "Dur Communities"

01

Makarem Umm Al-Qura Hotel

336
5-Star Rooms and Suites
Located in Makkah

02

Makarem Al-Bait Hotel

270
4-Star Rooms and Suites
Located in Makkah

03

Makarem Mina Hotel

294
4-Star Rooms and Suites
Located in Makkah

Makarem Al Shorofat Hotel

04

104

3-Star Rooms and Suites

Located in Makkah

Dur Al-Andalus Compound

05

30

Furnished Residential Villas

Located in Jeddah

Dur Al-Rawdah Compound

06

28

Furnished Residential Villas

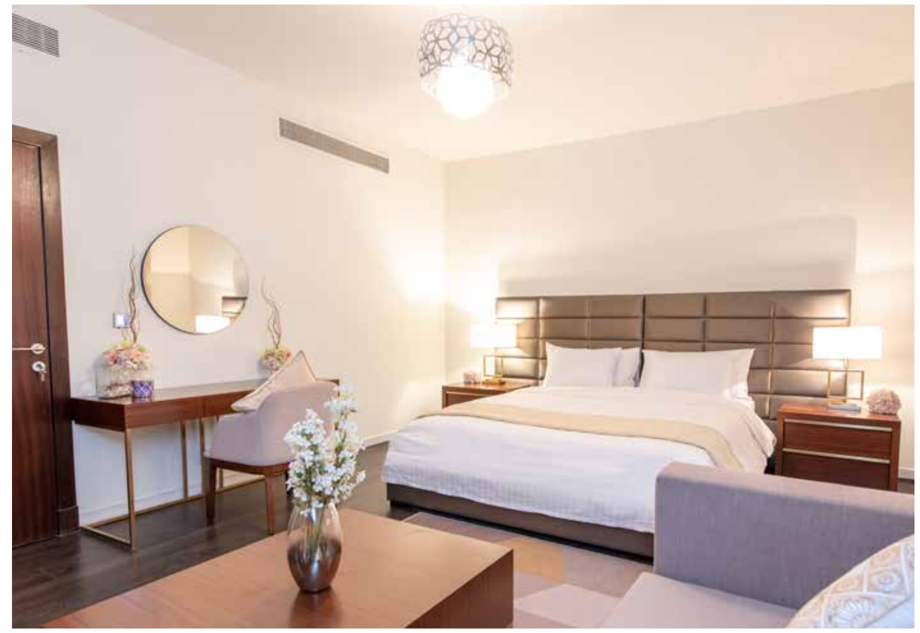
Located in Jeddah

07 Dur Bader Compound

40

Furnished Residential Villas

Located in Riyadh



09 Dur Al-Yasmin Compound

168

Furnished Residential Villas

Located in Jeddah

08 Dur Al-Maather Compound

73

Furnished Residential Villas

Located in Riyadh

2.1.4 Enterprises invested by the Company, and managed by other operators

01

Marriot Hotel Diplomatic Quarter

80

Rooms and Suites

Located in the Diplomatic Quarter in Riyadh
Operator: Marriott International Company

02

Marriot Executive Apartments Diplomatic Quarter

140

Hotel Apartments

Located in the Diplomatic Quarter in Riyadh
Operator: Marriott International Company

2.2 Projects Sector

The hotel and real estate development sector is the main and vital focus of the Company's projects; as it is responsible for the planning, the studies, the design and the implementation; in addition to developing and modernizing the existing projects and facilities, by using Dur's experience to keep up with the modern methods and the local and international technologies in the development and implementation field. The following is a breakdown of the projects completed during the year, in addition to the projects under development and implementation; along with the projects that are still under study and design:

Completed Projects

4 Projects

1. Phase 5B of the Darraq Project in Diplomatic Quarters .
2. Marriot Hotel Diplomatic Quarter & Marriot Executive Apartments Diplomatic Quarter.
3. Dur Al-Wadi Residential Compound.
4. Dur Twaiq Residential Compound.

Projects under Development and Implementation

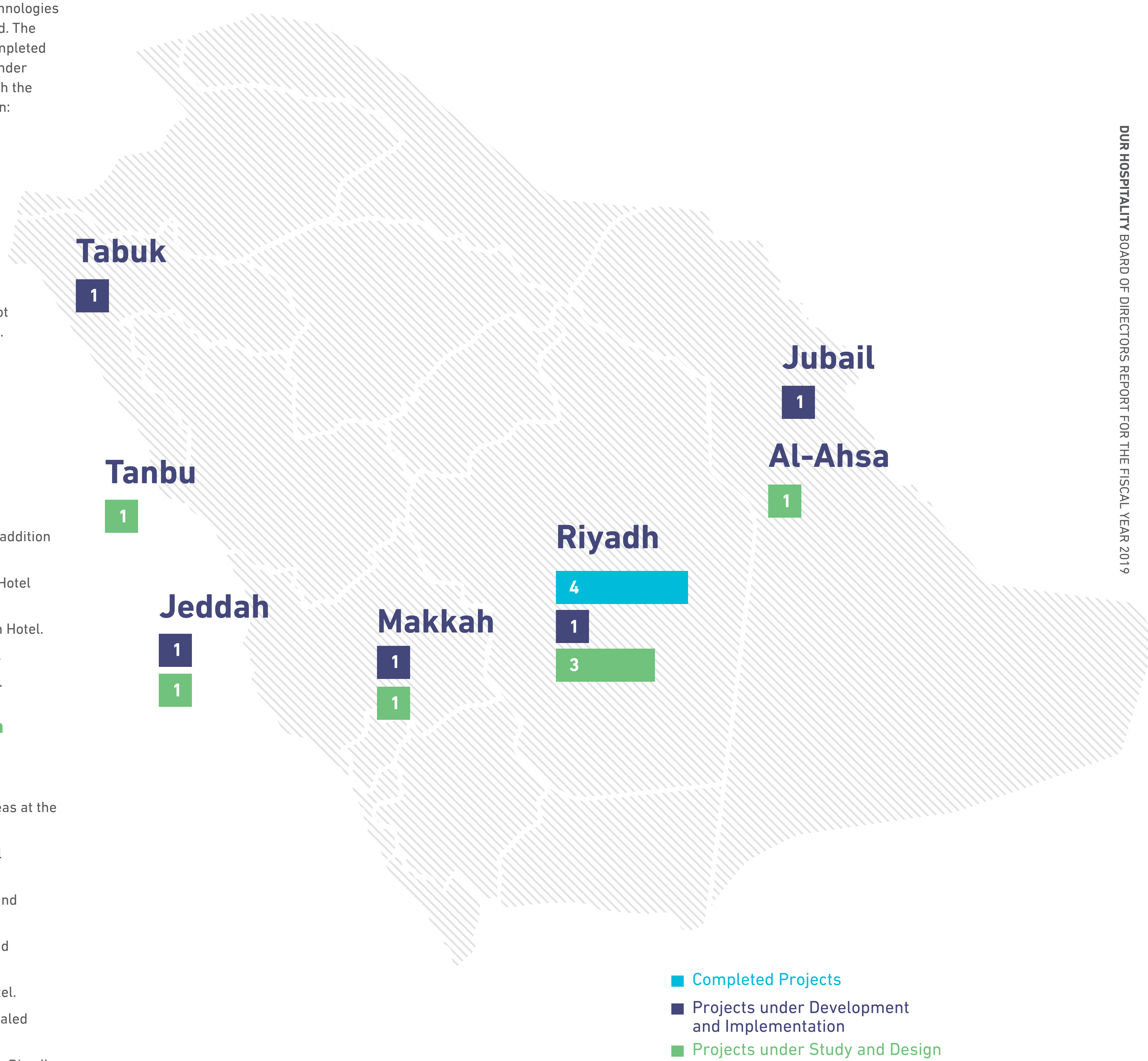
5 Projects

1. Development of hotel apartments and an addition of Holiday Inn Tabuk Hotel Events Hall.
2. Development of the Holiday Inn Al Jubail Hotel and Suites.
3. Renovation of the Makarem Ajyad Makkah Hotel.
4. Expansion of Riyad Airport Marriott Hotel.
5. Expansion of Makarem Annakheel Village.

Projects under Study and Design

7 Projects

1. Development and renovation of public areas at the Crowne Plaza Hotel – Phase II.
2. Development of Holiday Inn Al-Ahsa Hotel and suites.
3. Development of Jeddah Courtyard Hotel and Residence Inn.
4. Development of Yanbu Courtyard Hotel and Residence Inn.
5. Expansion of Makarem Ajyad Marriott Hotel.
6. Design of uxury villas compound (King Khaled Road Land in Riyadh)
7. Development of Dur Al-Hada Compound in Riyadh.



2.3 Hotel Operation

The Hotel Operation Management represents the administrative and operational arm for the hotels in Dur Hospitality Company, through which the Company created the Saudi brand "Makarem"; in order to be specialized in serving the guests of Makkah and Medina. It was keen on adhering to the global standards; along with establishing strong partnerships with the top global hotel operators such as: Intercontinental Hotels Group (IHG) and Marriott International.

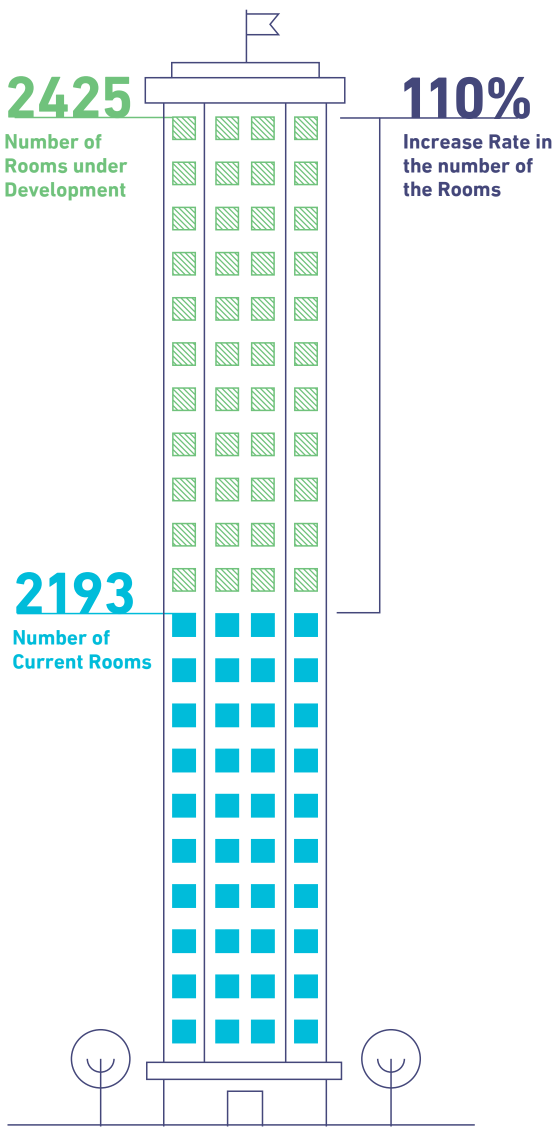
مكارم
MAKAREM

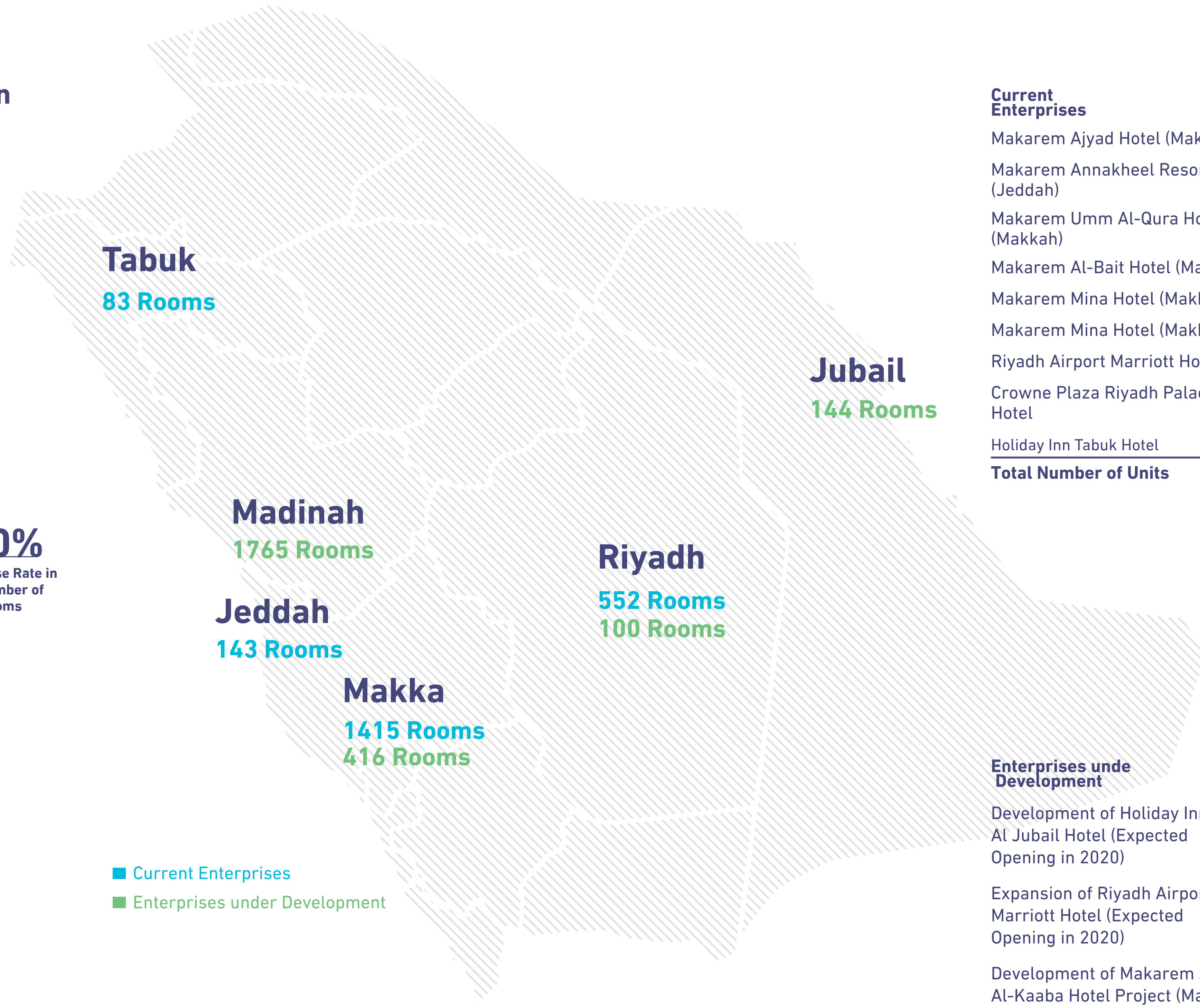
Marriott
INTERNATIONAL

IHG® InterContinental Hotels Group

2.3.1 Strategic Expansion

In 2019, the Hotel Operations Department sought to develop its portfolio of "Makram" hotels in the holy cities; and that is by increasing its presence in Makkah through adding 416 rooms, along with entering the Medina market by adding 1,765 rooms in the Central Area close to the Prophet's Mosque. On the other hand, addition of 100 rooms as an expansion of the Riyadh Airport Marriott Hotel is almost complete, and the Holiday Inn Al Jubail Hotel, which contains 144 rooms, will be opened in the Eastern Governorate.



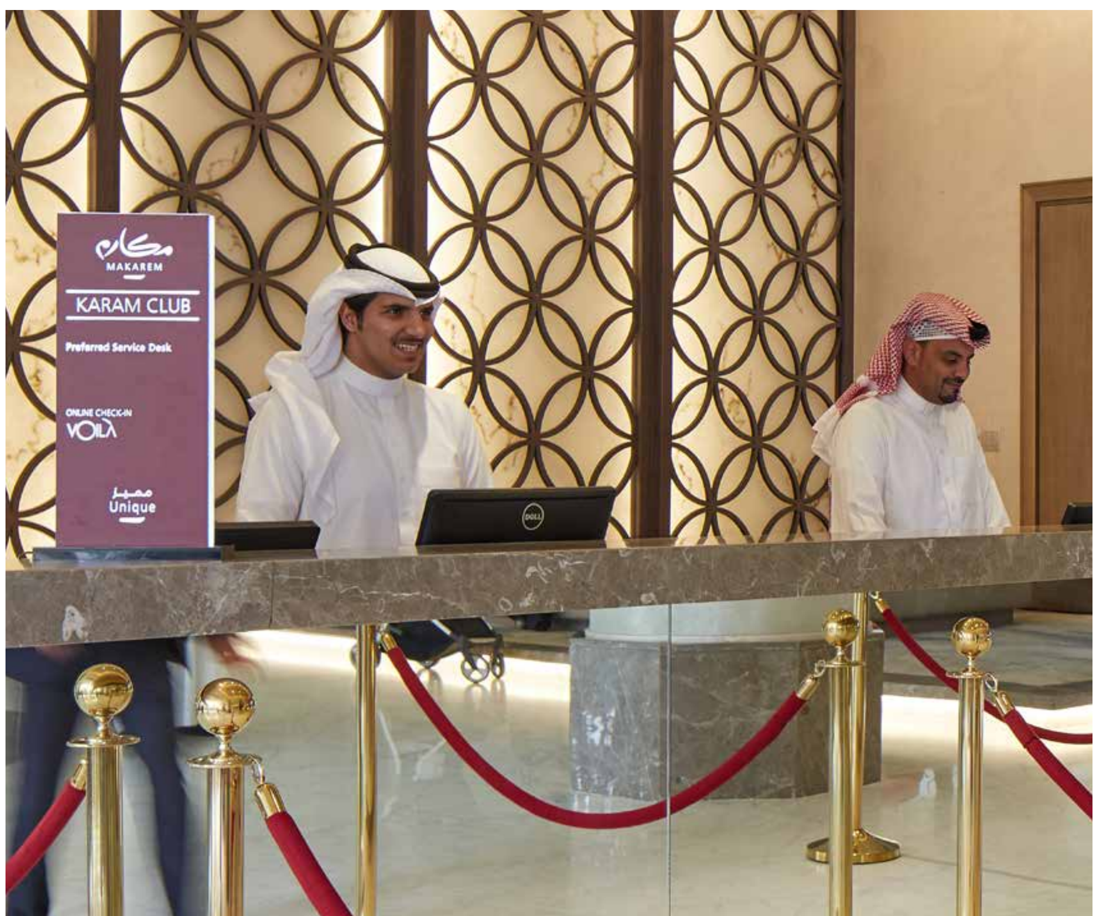


Current Enterprises	Number of Rooms
Makarem Ajyad Hotel (Makkah)	411
Makarem Annakheel Resort (Jeddah)	143
Makarem Umm Al-Qura Hotel (Makkah)	336
Makarem Al-Bait Hotel (Makkah)	270
Makarem Mina Hotel (Makkah)	294
Makarem Mina Hotel (Makkah)	104
Riyadh Airport Marriott Hotel	248
Crowne Plaza Riyadh Palace Hotel	304
Holiday Inn Tabuk Hotel	83
Total Number of Units	2193

Enterprises unde Development	Number of Rooms
Development of Holiday Inn Al Jubail Hotel (Expected Opening in 2020)	144
Expansion of Riyadh Airport Marriott Hotel (Expected Opening in 2020)	100
Development of Makarem Jabal Al-Kaaba Hotel Project (Makkah) (Expected Opening in 2020)	416
Development of Makarem Hotel Project with the General Authority of Endowments (Medina)	400
Development of Makarem Hotels Project with Al Manakha Company (Medina)	1365
Total Number of Units	2425

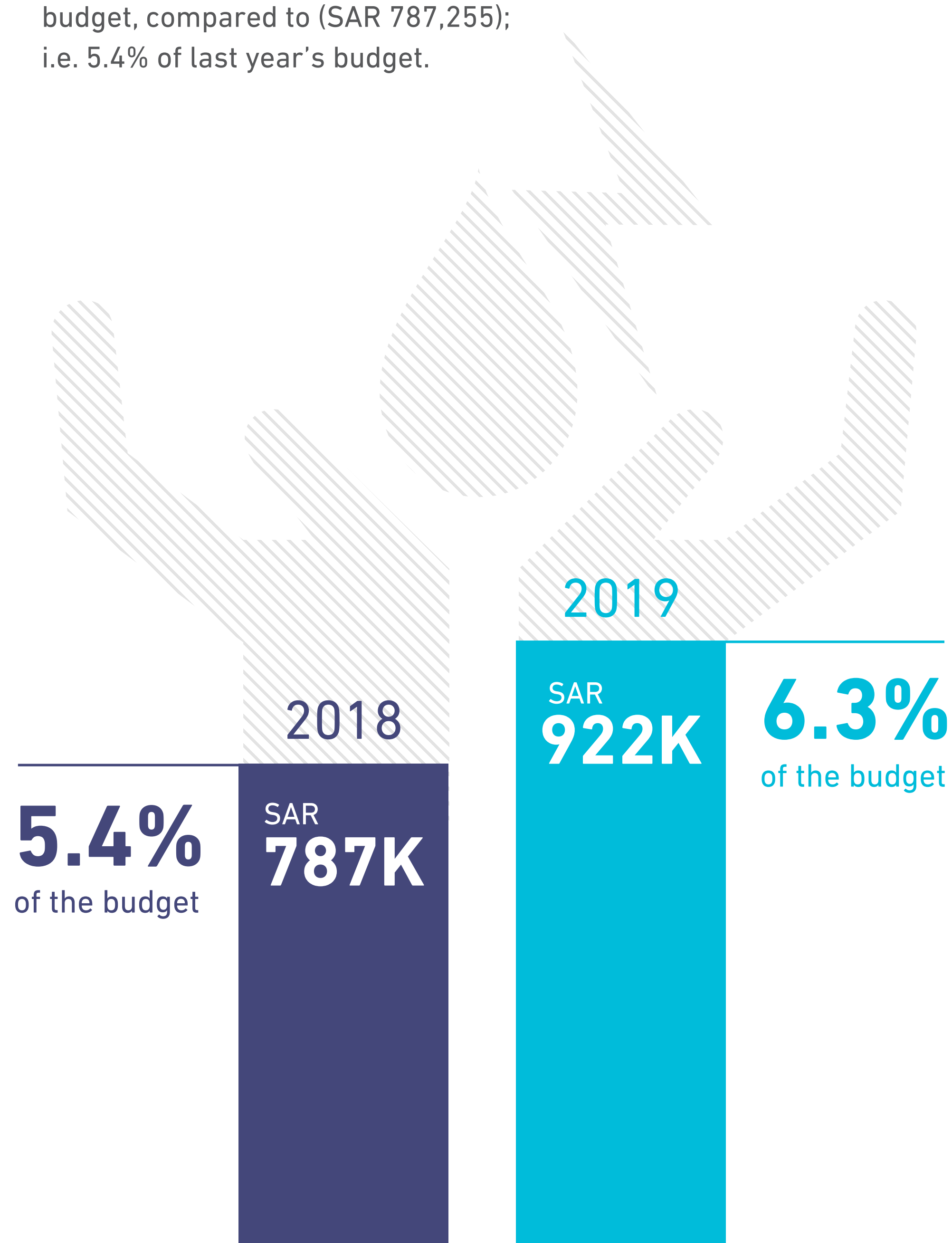
2.3.2 Operational Excellence

In 2019, the Hotel Operation continued to strengthen and develop the bonding with its guests, along with improving the efficiency and profitability despite the increased competition and the economic challenges. The latest technology systems and applications were used in the hospitality sector; in order to contribute in raising the operational efficiency and improving the revenues; along with raising the satisfaction level for both guests and employees. The following is a summary of the main indicators that are relied upon to achieve operational excellence:



A. Energy Conservation Systems

Through the control and monitoring systems and raising awareness on the energy and water consumption, the Hotel Operation Management was able to achieve energy and water conservation rate amounting to (SAR 922,458); i.e. 6.3% of the budget, compared to (SAR 787,255); i.e. 5.4% of last year's budget.



B. Guest Service and Performance Measurement Systems

The Hotel Operation Management works on measuring the performance of its services by applying indicators and systems that help in raising the guests' experience level; and the following is a summary for such systems:

Guest Delight International
Quality Check

The GuestBook
Loyalty Program

Fairmas
Revenue Management System

OTA InsightSmart Revenue
Management Database

IDeaS Revenue Solutions
Resources Management Solutions

IcePortal
Distribution Solutions

Winnow
Food Surplus
Management Solutions

ReviewPro
Guests Experience
Development Program

Peakon
Employee Engagement Index

JOUR
مجتمعات دور
Dur Communities

2.4 Dur Communities

Dur Communities represents the administrative and operational arm of Dur Hospitality's residential real estate and facilities; through which operation, maintenance, cleanliness and security services are provided; in addition to the marketing, sales and leasing services, the support services, and the quality control for residential compounds; as it harnesses its extensive experience in the hospitality and asset management field by providing operational and management solutions to the investors in the real estate sector.

Dur Hospitality designed its brand "Dur Communities" to manage and operate the residential projects; in order to provide an innovative and integrated residential product. Dur Communities includes 9 residential compounds spread across key areas in Saudi Arabia; as they include 1,381 residential units of various categories and sizes, green spaces, and sports and recreational facilities managed in high professionalism.

One of the most prominent residential projects is "Darraq Homes", which is a high-end integrated residential project that contains luxury residential units of modern villas and fully furnished apartments of various spaces. Darraq, whose name is derived from the high-end house, provides its residents with privileges, pleasure and welfare in the Diplomatic Quarters District in Riyadh; in addition to taking advantage of the public facilities, the parks, the model schools, the sports clubs and the private recreation and entertainment centers.

Darraq Homes	434 Residential Units
Dur Bader Compound	40 Residential Units
Dur Al-Sharq Compound	78 Residential Units
Dur Al-Andalus Compound	30 Residential Units
Dur Al-Rawdah Compound	28 Residential Units
Dur Al-Yasmin Compound	168 Residential Units
Dur Al-Maather Compound	73 Residential Units
Dur Al-Wadi Residential Compound	66 Residential Units
Dur Twaiq Residential Compound	464 Residential Units
Total Number of Units	**1381 Residential Unit**

2.5 Shada Hospitality Group

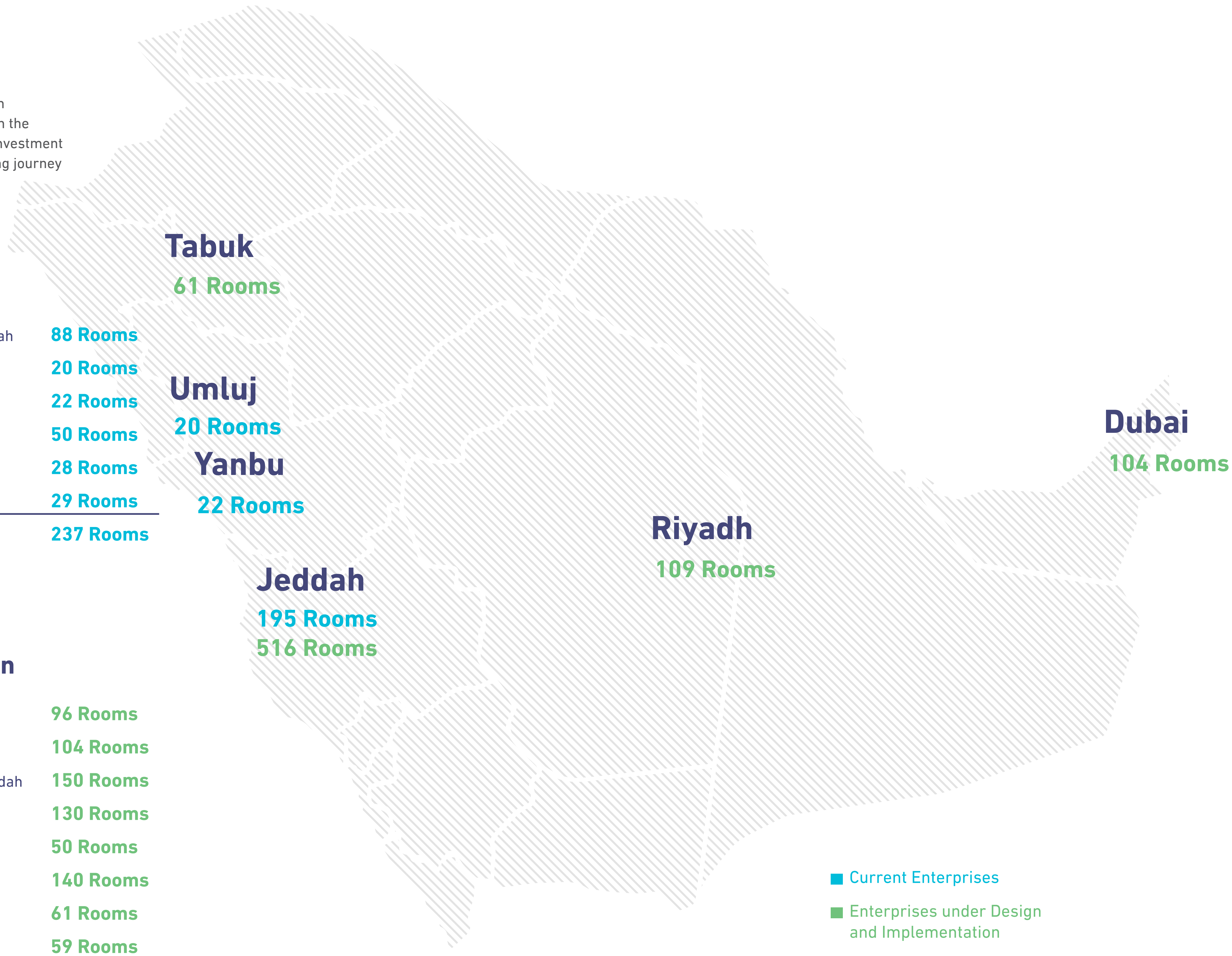
60% of the Shada Hospitality Company has been acquired, which will strengthen Dur's position in the hospitality sector, and that is by expanding its investment portfolio and entering for the first time in its long journey in the hotel apartment category.

2.5.1 Current Enterprises

Shada Executive Hotel – Al-Salamah – Jeddah	88 Rooms
Shada Suites - Umluj	20 Rooms
Shada Suites – Yasmo – Yanbu	22 Rooms
Shada Suites – Al-Zahraa – Jeddah	50 Rooms
Shada Suites – Al-Salamah – Jeddah	28 Rooms
Shada Suites – Al-Hamra – Jeddah	29 Rooms
Total Number of Units	237 Rooms

2.5.2 Enterprises under Design and Implementation

Shada Hotel - Al-Corniche – Jeddah	96 Rooms
Shada Hotel – Al-Satwa – Dubai	104 Rooms
Shada Executive Hotel – Al-Khalidiyah - Jeddah	150 Rooms
Shada Hotel – Muslim Scouts – Jeddah	130 Rooms
Shada Suites – Al-Rayan – Riyadh	50 Rooms
Shada Suites – Al-Rada – Jeddah	140 Rooms
Shada Suites – Tabuk	61 Rooms
Shada Hotel – Qurtoba – Riyadh	59 Rooms
Total Number of Units	790 Rooms



Current Enterprises

Enterprises under Design and Implementation

2.6 Human Resources

Motivating employees and providing them with a suitable work environment encourage their creativity and accomplishment; in order to achieve the Company's strategy and their expansion plans.

2.6.1 Employment and Saudization

The Company continued its efforts in attracting the national leadership competencies, as well as the youth competencies; in order to support its expansion plans and in preparation to operate new enterprises. In 2019, 199 new employees were recruited; about 77% of them were Saudis. Furthermore, the Company continues to work on implementing the job Saudization plan, which aims to raise the Saudization rate in the Company, and that is by ensuring the conformity of the outputs of the workforce plans and the employment plans therein.

2.6.2 Training and Development

In the context of Dur's ongoing efforts to develop the competencies and capabilities of its employees, training has been intensified to achieve the Company's objectives and vision by providing a total of 53 training courses received by 956 trainees.

77%

of new employees recruited in 2019 were Saudis

53 Training Courses

956 Number of Trainees

6140 Total Training Hours

28 Summer Program Trainees

26 Tamheer Program Trainees

11 Distinguished Trainees who have been appointed

2.6.3 Work Environment Development Initiatives

Given the Company's belief in its role in providing a healthy work environment based on the diversity of the cultures and experiences of its employees, the Company continued to conduct its workshops on the development of the work environment in its various locations; resulting in many development initiatives that aim to raise the employees' satisfaction; thereby raising the level of the services provided to the Company's customers and guests in all the enterprises.

2.6.4 Leadership Qualification for Employees

The Company continued to apply the Youth Leadership Qualification Program "Tahseen", in collaboration with Marriott International and Cornell International University, and a new group graduated, in the hope that it will improve the level of service provided to the Company's guests.

The Company also participated in the Women's Leadership Qualification Initiative, which was implemented by Princess Nourah University, in cooperation with the leading French INSEAD Business School, in the business management and leadership qualification field.

This year, the Company focused on applying the Succession Planning Program; in order to qualify the Company's first and second-row leaders to take on higher responsibilities and tasks.

2.7 Information Technology (IT)

Through the IT Management, the Company made several achievements in activating and launching important initiatives, most notably:

Update and adoption of the IT Management's policies and procedures.

1. A unified agreement was concluded to provide fiber optic internet service to the Company's hotels; thus ensuring the best customer service and increasing the satisfaction level for the provided hospitality.
2. Implementation of a comprehensive cybersecurity system in line with the recommendations of the National Cybersecurity Authority.
3. Application of disaster recovery system using the cloud technologies for the central servers located in the Company's head office.
4. Application of the central data warehouse system which consolidates and collects all the Company's data, and then presents it in several manners; in order to facilitate the decision-making based on accurate and realistic data.
5. Development of a firewall system for emails and internet browsing; in order to protect from hackers and threats related to instant messaging such as spam, spyware and viruses.
6. Launch of the employment program through the Company's website, which ensures easy access to the qualified applicants and compares between them; in order to complete the employment process with the highest professionalism.
7. Application of the technical support program that manages all the change, development and technical support requests in the department.

2.8 Corporate Social Responsibility

Dur Hospitality Company takes pride in being one of the leaders in the corporate social responsibility field in Saudi Arabia.

The basic premise of all the corporate social responsibility initiatives is to utilize the Company's resources, enterprises, expertise, and human potential, and direct them to serve the community under the "Athar" brand. Three key fields were identified in the social responsibility strategy, namely:

First Field:
Environment Protection and Natural Resources Conservation

Second Field:
National Cadres Empowerment

Third Field:
Social Activities Support

The following is an overview of the corporate social responsibility initiatives (Athar) achieved during 2019:

4th Blessing Box Campaign

270
Food boxes

During the holy month of Ramadan, 270 food boxes were donated to the Imam Mohammed Bin Saud Society, weighing 17 kilograms each, and supervised by the Company's employees.

Hosting Chinese Umrah Pilgrims

Hosted
56
pilgrims

In collaboration with the Calling Chinese Office belonging to the Cooperative Office for Call and Guidance in Al-Naseem District, 56 Chinese Muslim pilgrims were hosted as part of the Company's corporate social responsibility initiatives for hosting new and needy Muslim pilgrims and Umrah pilgrims.

Iftar for the Children of the Charity Committee of Orphans Care (Ensan)

The Company was honored to invite 150 beneficiaries of the Charity Committee of Orphans Care (Ensan) to the Iftar tables in a number of the Company's hotels in Riyadh, Tabuk, Jeddah and Makkah.

Hosted
150
of Ensan beneficiaries

Hosting Orphan Umrah Pilgrims

The Company was honored to host 29 beneficiaries of the Imam Mohammed Bin Saud Charity Society at the Makarem Ajyad Makkah Hotel, as part of the Company's keenness on fulfilling its social duty towards the Hajj and Umrah pilgrims.

Hosted
29
pilgrims

Kiswat El-Eid

During the holy month of Ramadan, the Company activated the Kiswat El-Eid Initiative, which aims to instill the spirit of participation among its employees, and that is by donating 122 kg of new and used clothes to charities; in order to provide its members with clothes before Eid Al-Fitr.

Donated
122Kg
of new and used clothes

Iftar for the Children of the Down Syndrome Charitable Association (DSCA)

During the holy month of Ramadan, the Company hosted 100 children from the beneficiaries of the Down Syndrome Charitable Association (DSCA) with their families at the Iftar table, and that is at the Crowne Plaza Riyadh Palace Hotel.

Hosted
100
children with their families

Breast Cancer Awareness Campaign

In collaboration with the General Authority for the Diplomatc Quarters District and the Zahra Association, the Company launched the Breast Cancer Awareness Initiative (Beyond Pink), as part of the Dur Hospitality's initiatives for community service, and in support of the national efforts for raising awareness for breast cancer; with the aim of raising the women's awareness of the importance of early detection, and motivating them to follow a healthy lifestyle, with the participation of a number of women of different ages in an enthusiastic atmosphere filled with targeted sports and awareness-raising segments.

Blood Donation Campaigns

The Company organized the annual blood donation campaign (Save a Life, Donate Blood) at the Company's Head Office, in cooperation with the Ministry of Health to support the blood bank at the King Saud Medical City (KSMC), where more than 60 employees of the Dur Hospitality Company at the Courtyard Riyadh Hotel - Diplomatic Quarter and the El-Sefarat Marriott Hotel donated blood.

60
Employees Donated

Mosques Cleaning

The Company, through its specialized team, cleaned 5 mosques in the El-Sefarat District in preparation for the holy month of Ramadan, and that is pursuant from the Company's keenness on serving Muslims and helping them to perform the prayers in a healthy atmosphere and a clean environment.

5
Mosques

03 Financial Statements and Business Results

3.1 Financial Results for the Last Five Years

The statement below shows a summary of the business results for the last five years:

Statement (in Thousands Saudi Riyals)	2015	2016	2017	2018	2019
Total Revenue	532,620	499,213	483,604	454,062	553,846
Revenue Cost	(353,421)	(352,117)	(353,093)	(345,981)	(434,669)
Gross Profit	179,199	147,096	130,511	108,081	119,177
Operating Profit	142,538	116,165	95,344	69,532	76,263
Net Profit	146,830	111,495	90,631	57,462	53,004

3.2 Current Year's Operational Results Compared to Last Year's Results

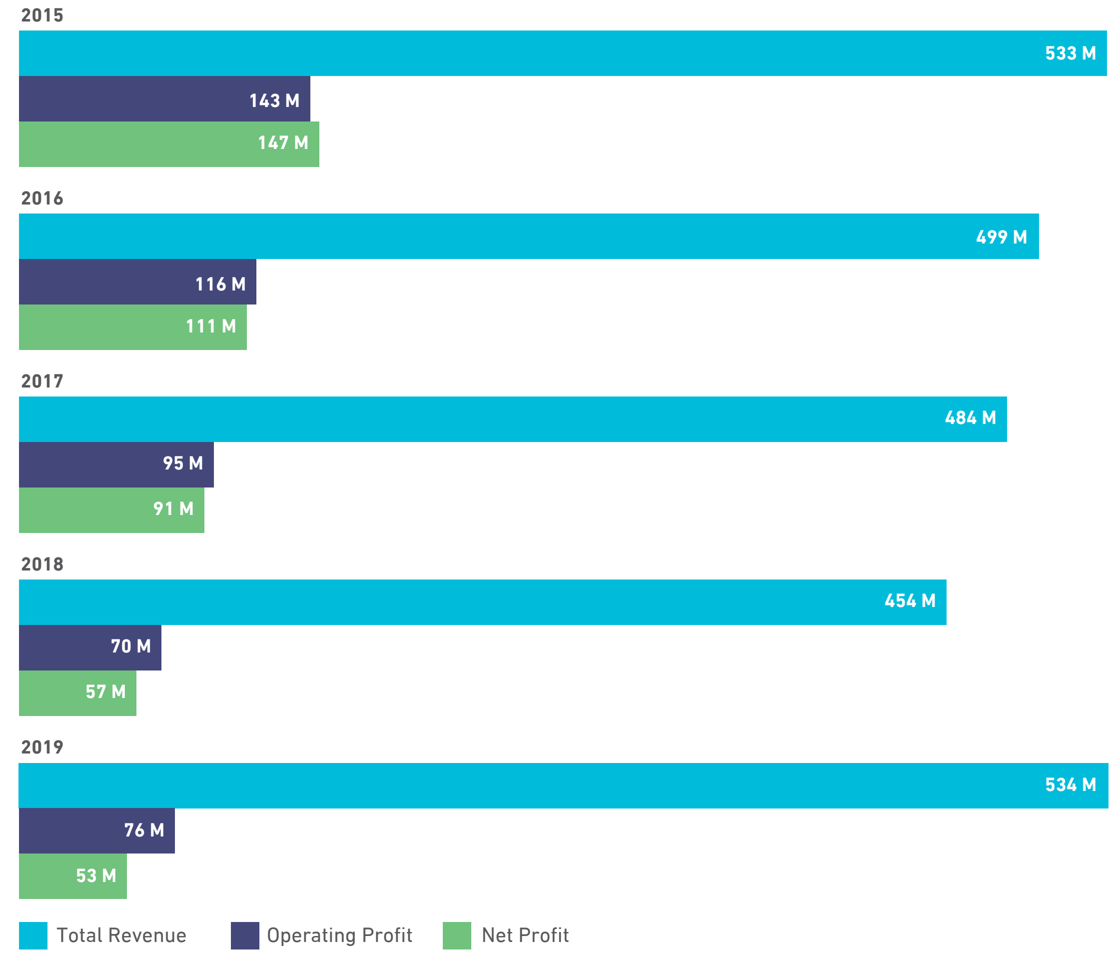
The statement below shows the fundamental differences in the operating results compared to the previous year's results:

Statement (in Thousands Saudi Riyals)	2018	2019	Change	Change Percentage
Total Revenue	454,062	553,846	99,784	22.0%
Revenue Cost	(345,981)	(434,669)	88,688	25.6%
Total Profit	**108,081**	**119,177**	**11,096**	**10.3%**
Sales and Marketing Expenses	(1,056)	(1,714)	658	62.3%
General and Administrative Expenses	(37,493)	(41,200)	3,707	9.9%
Operating Profit	**69,531**	**76,263**	**6,731**	**9.7%**
Financial Burdens	(6,620)	(23,337)	16,717	252.5%
Financial Burdens of Lease Contract Liabilities	-	(15,948)	15,948	100%
Finance Revenue	1,420	1,608	188	13.2%
Other Revenue	5,501	20,773	15,272	277.6%
Investments Losses in Invested Companies using the Equity Method	(1,083)	(1,342)	259	23.9%
Additional Burdens from Legal Obligations	(7,354)	-	(7,354)	(100%)
Profit before Zakat	**61,396**	**58,017**	**(3,379)**	**(5.5%)**
Zakat	(5,141)	(5,250)	109	2.1%
Net Profit	**56,255**	**52,767**	**(3,488)**	**(6.2%)**
Company's Shareholders	**57,462**	**53,004**	**(4,458)**	**(7.8%)**
Non-Controlling Equity	(1,207)	(237)	(970)	(80.4%)
	56,255	**52,767**	**(3,488)**	**(6.2%)**

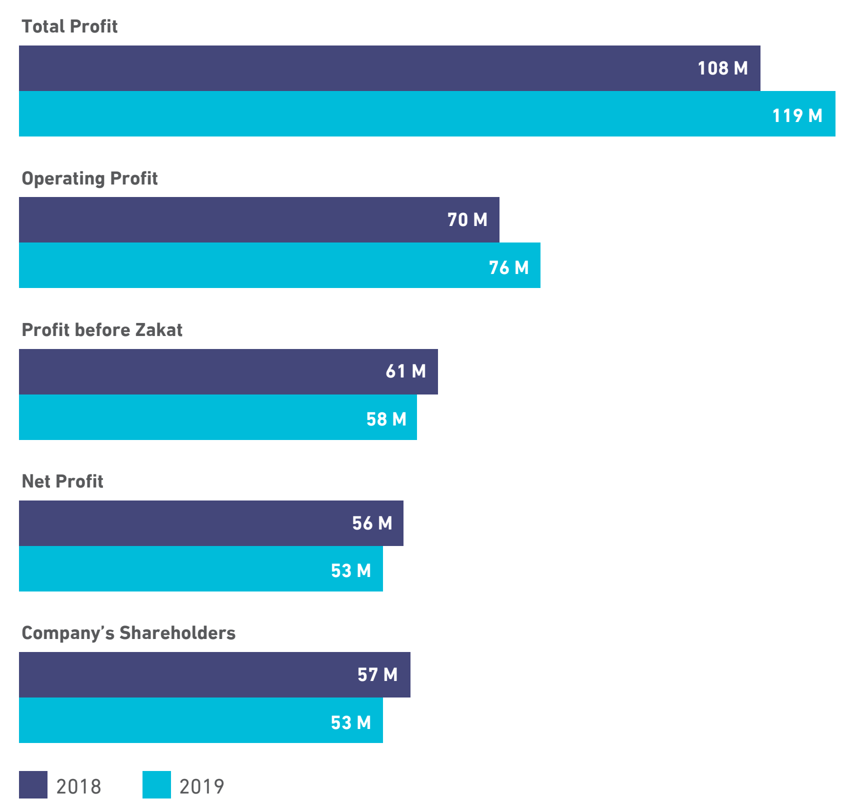
The Board of Directors approved the Company's final financial results for 2019, which recorded a rise in the total revenue amounting to SAR (99.7) million with a rate of (22%) compared to the previous year 2018; and the operating profit for 2019 amounted to SAR (76.2) million, i.e. an increase of SAR (6.7) million with a rate of (9.7%) compared to the previous year 2018; due to the entry of new enterprises for operation during the year, along with completing the renovation and development of some hotel enterprises.

The net profit attributable to the Company's shareholders declined to SAR (53) million in 2019; i.e. a decline by (7.8%) compared to 2018; as a result of the high revenue cost due to the calculation of the pre-opening expenses, the operating expenses and the amortizations of projects entered into operation; in addition to the impact on the Company due to the application of the international accounting standard (16) as from the beginning of 2019 with an amount of SAR (15.9) million, and the accounting treatment for calculating the financing burdens of completed projects with an amount of SAR (16.7) million.

Financial Results for the Last Five Years



Current Year's Operational Results Compared to Last Year's Results



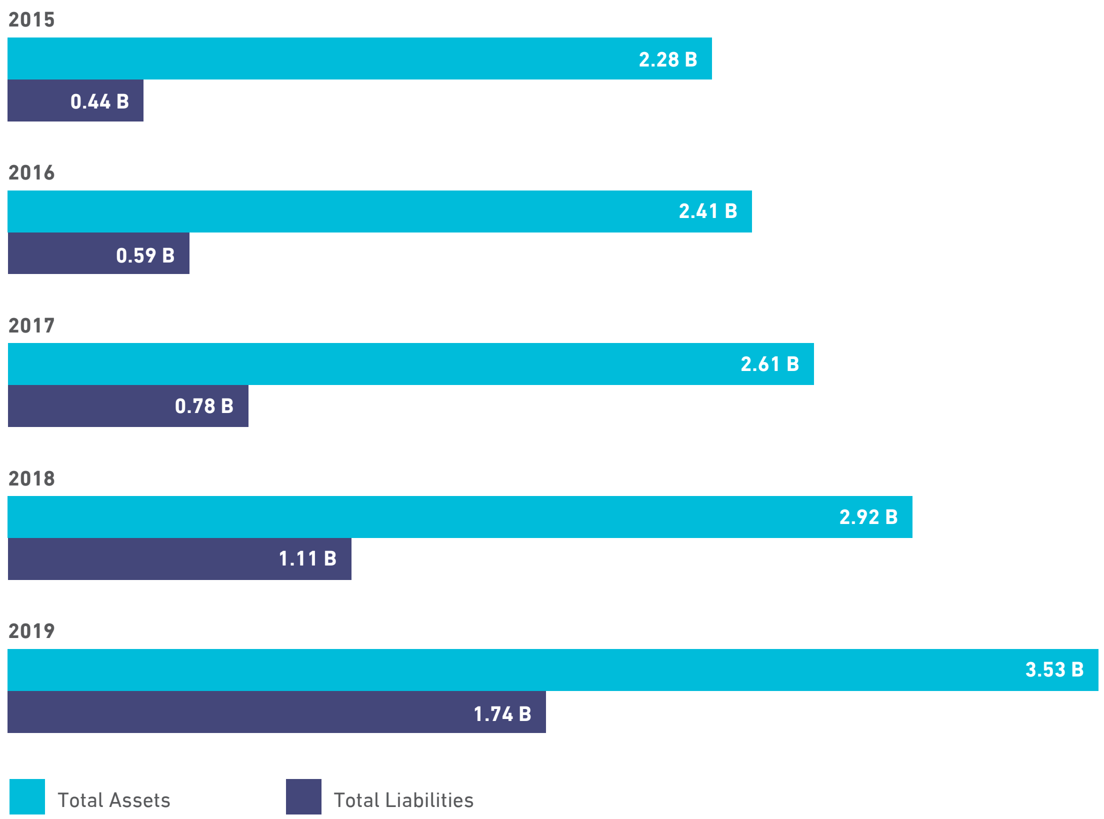
3.3 Assets and Liabilities for the Last Five Years

The following statement represents the assets and liabilities for the previous five years:

Statement (in Thousands Saudi Riyals)	2015	2016	2017	2018	2019
Total Current Assets	334,281	315,774	302,941	312,333	356,150
Total Non-Current Assets	295,185	413,414	416,830	717,612	679,195
Net Property and Equipment	1,648,075	1,677,267	1,886,311	1,894,298	2,492,482
Total Assets	**2,277,541**	**2,406,455**	**2,606,082**	**2,924,243**	**3,527,827**
Total Current Liabilities	204,559	251,754	294,409	401,239	475,210
Total Non-Current Liabilities	238,788	338,950	486,442	712,006	1,260,869
Total Liabilities	**443,347**	**590,704**	**780,851**	**1,113,245**	**1,736,079**
Total Shareholders' Equity	1,796,162	1,778,458	1,787,621	1,774,665	1,741,401
Non-Controlling Equity	38,032	37,293	37,610	36,333	50,347
Total Liabilities and Shareholders' Equity	**2,277,541**	**2,406,455**	**2,606,082**	**2,924,243**	**3,527,827**
Shareholders' Equity to Assets Ratio	79%	74%	69%	61%	49%

The Company assigned one of the specialized experience houses; in order to determine the market value of its properties; and the value of the Company-owned lands and market buildings on the 31st of December 2019 was about SAR (5) billion.

Assets and Liabilities for the Last Five Years



3.4 Changes in Shareholders' Equity for the Last Five Years

The following statement illustrates the changes in the shareholders' equity over the past five years::

Year	Shareholders' Equity (in Thousands Saudi Riyals)	Increase (Decline)	Change Percentage (%)
2019	1,741,402	(33,263)	(1.9%)
2018	1,774,665	(12,956)	(0.7%)
2017	1,787,621	9,163	0.5%
2016	1,778,458	(17,704)	(1.0%)
2015	1,796,162	16,892	0.9%

3.5 Loans

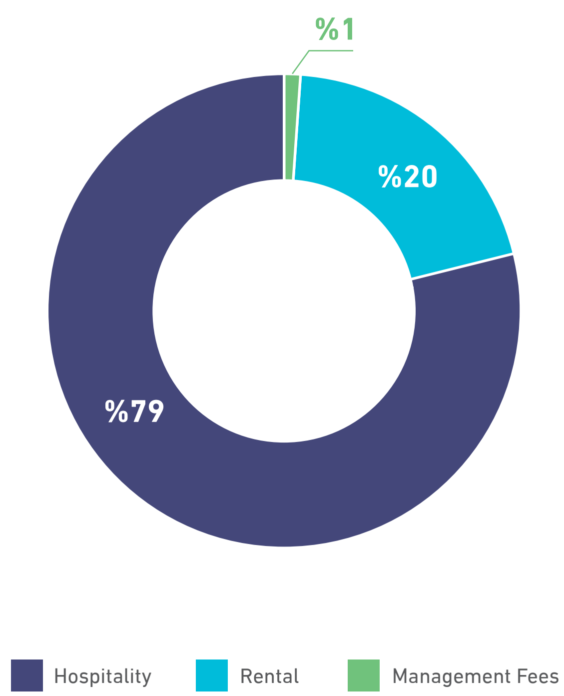
The Company received several loans to finance various projects as follows (in thousands of Saudi Riyals):

Loan Grantor Name	Loan Principle Amount	Loan Term	Total Amount Withdrawn from the Loan	Paid Amounts during the Year	Total paid Amounts	Company's Total Indebtedness by the End of 2019
Loans from Local Banks	1,317,29	Between 5 to 7 Years	1,267,025	49,696	293,757	973,268

3.6 Key Activities Contributing to Revenue

The following statement represents the contribution of the Company's three key activities to its revenues for 2019:

Sector	Sector Revenue (in Thousand Riyals)	Percentage (%)
Hospitality	435,608	79%
Rental	111,606	20%
Management Fees	6,632	1%
Total	**553,846**	**100%**

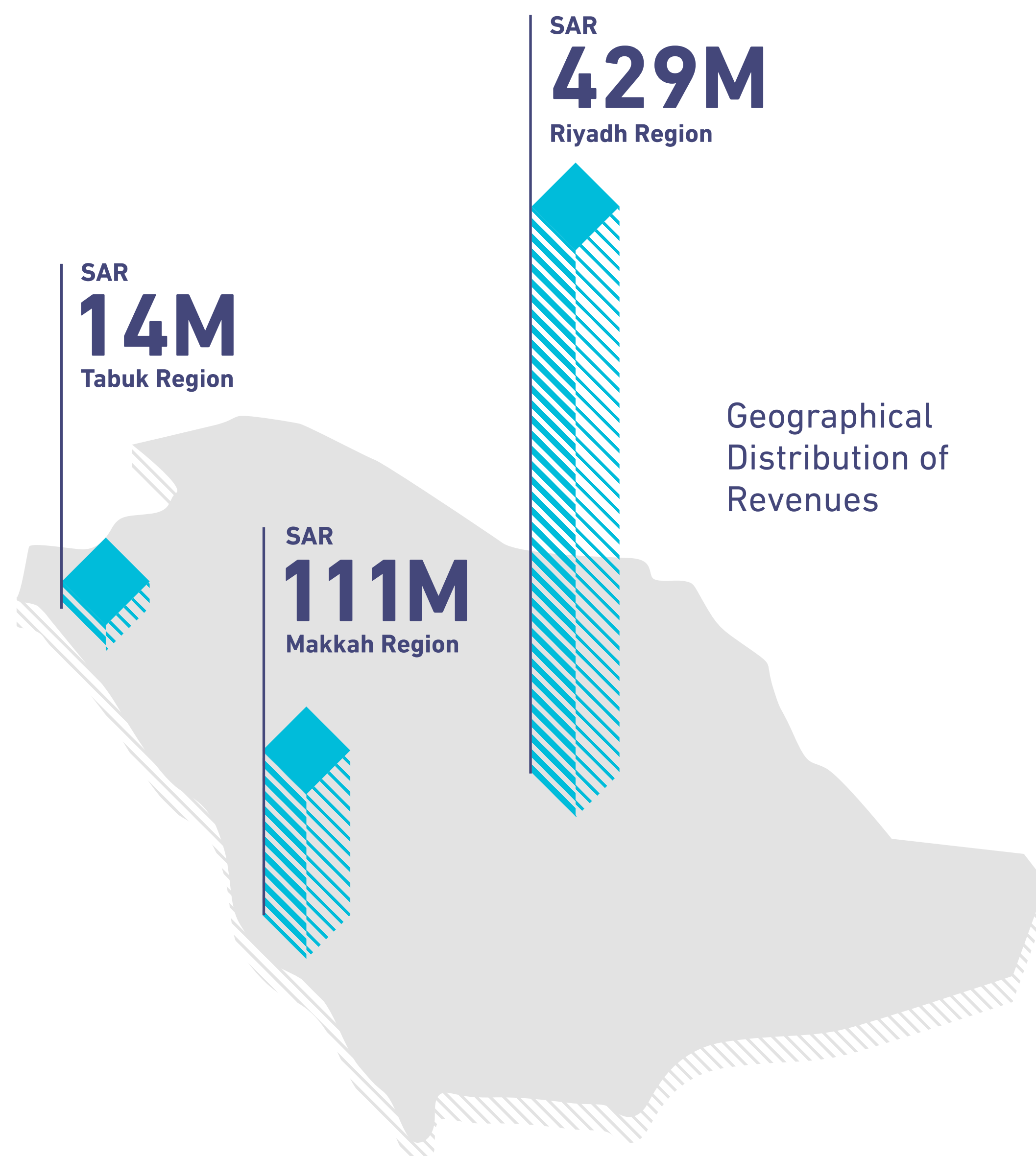


3.7 Geographical Distribution of Revenues

Dur Hospitality's revenues are distributed in three major geographical areas within the Kingdom: Riyadh, Makkah and Tabuk, and the revenues of each region during the fiscal year 2019 were as follows:

Region (In Thousands of Saudi Riyals)	Revenues
Riyadh	428,841
Makkah	110,528
Tabuk	14,477
Total	**553,846**

* The Company does not have any branches or enterprises outside Saudi Arabia.



3.8 Statutory Payments Due

The statutory payments entitled to the Company and its subsidiary companies until the end of the fiscal year 2019 were as follows:

Statement	Entitled Amount by the End of the Year (Saudi Riyal)
Social Insurance Subscriptions	1,024,501
Zakat	5,250,451
Value-Added Tax (VAT)	1,530,091

The Company and its subsidiaries are subject to the zakat based on the regulations of the General Authority for Zakat and Tax (GAZT) in Saudi Arabia, and it registers the entitled zakat provision annually and charges it to the income statement at the end of each year, after being reviewed by the Chartered Accountant and the Zakat Advisor.

The Company and its subsidiaries also submit their zakat declarations separately based on the financial statements of each company; as the zakat declarations are submitted to the GAZT and the entitled zakat is paid until the end of the fiscal year 2019; in addition to obtaining the zakat certificates.

3.9 Dividends Policy

1. The Company's annual net profits are distributed after deducting all the general expenses and the other costs, as stipulated in Article (42) of its Statute, according to the following:
   - The legally imposed zakat will be retained.
   - (10%) of the net profit will be retained; in order to form a statutory reserve; and the Ordinary General Assembly may suspend this retention when the aforementioned reserve reaches (30%) of the capital.
   - Afterwards, a down-payment will be distributed to the shareholders from the remainder equivalent to (5%) of the paid-up capital.
   - The Ordinary General Assembly may then form other reserves to the extent that achieves the Company's interest or ensures fixed profits to the shareholders.
   - Afterwards, the remainder will be wholly or partially distributed to the shareholders as an additional share of profits or to be carried over to the coming years, as decided by the Shareholder's Ordinary General Assembly.

The Board of Directors, with the authorization of the Shareholders' Ordinary General Assembly, which is renewed each year, may distribute interim profits on a semi-annual or quarterly basis, in accordance with the controls issued by the competent authority.

2. The Board of Directors decided to distribute the shareholders' profits for 2019, as described in the following statement:

	Percentage of Profits Proposed to be Distributed at the End of the Year
Percentage (%)	5%
Amount per Share (Saudi Riyal)	0.50 Saudi Riyals
Total (in Millions Saudi Riyals)	(50) Million Saudi Riyals

3. The shareholder will be entitled to his share of the profits in accordance with the General Assembly's decision issued in this regard, and the decision indicates the entitlement date and the distribution date; furthermore, the profits will be eligible to the shareholders registered in the shareholders' registers at the end of the specified entitlement date, and to those who are registered in the Company's shareholders register at the Securities Depository Center Company (Edaa) at the end of the second trading day following the entitlement date. The Board of Directors must implement the Ordinary General Assembly's decision on the distribution of the profit within the specified period.

3.10 Risks

The potential risks that the Company may face are as follows:

Risks related to Market and Nature of Business

The potential market risks and the risks associated with the Company's business activity are as follows:

1. The Hajj and Umrah seasons are affected by the external organizational conditions or factors.
2. The increased competition in the hotel market in Riyadh and Makkah, which may affect the performance of the Company's hotels in these two cities.
3. The change in the policies and regulations of the relevant government agencies, especially the labor office systems and the jobs saudization rate.
4. The rise in the basic services' fees and prices, such as energy, water, consumables and other new fees.
5. The external and economic factors that may affect the projects' development and completion, such as the different exchange rate in the target markets.
6. The economic conditions and the low oil prices that may lead to a reduction in the public spending.

Credit Risks

These are the risks resulting from the failure of one party in fulfilling its financial obligations when they are due; thus causing financial losses to the other party; the risks related to financial assets that are likely to be exposed to credit risk concentration are mainly concentrated on the banks' cash and the trade receivables. The cash owned by the Company is deposited in local banks with a good credit rating; therefore the credit risk associated with the cash deposits is limited, and the credit risk related to the trade receivables is limited; because most of the Company's dealings are concentrated with clients with strong financial positions. The Company's Management monitors and follows up with the balances of the trade receivables; in order to reduce any credit risks associated thereto, follow up with their collection, and take any necessary measures to maintain the Company's rights.

Currency Rate

It is represented by the fluctuation in the monetary value of the assets and the financial obligations in foreign currencies, and since all the Company's essential dealings are made in Saudi riyals, the currency and exchange rate risks, to which the Company is exposed, are very limited.

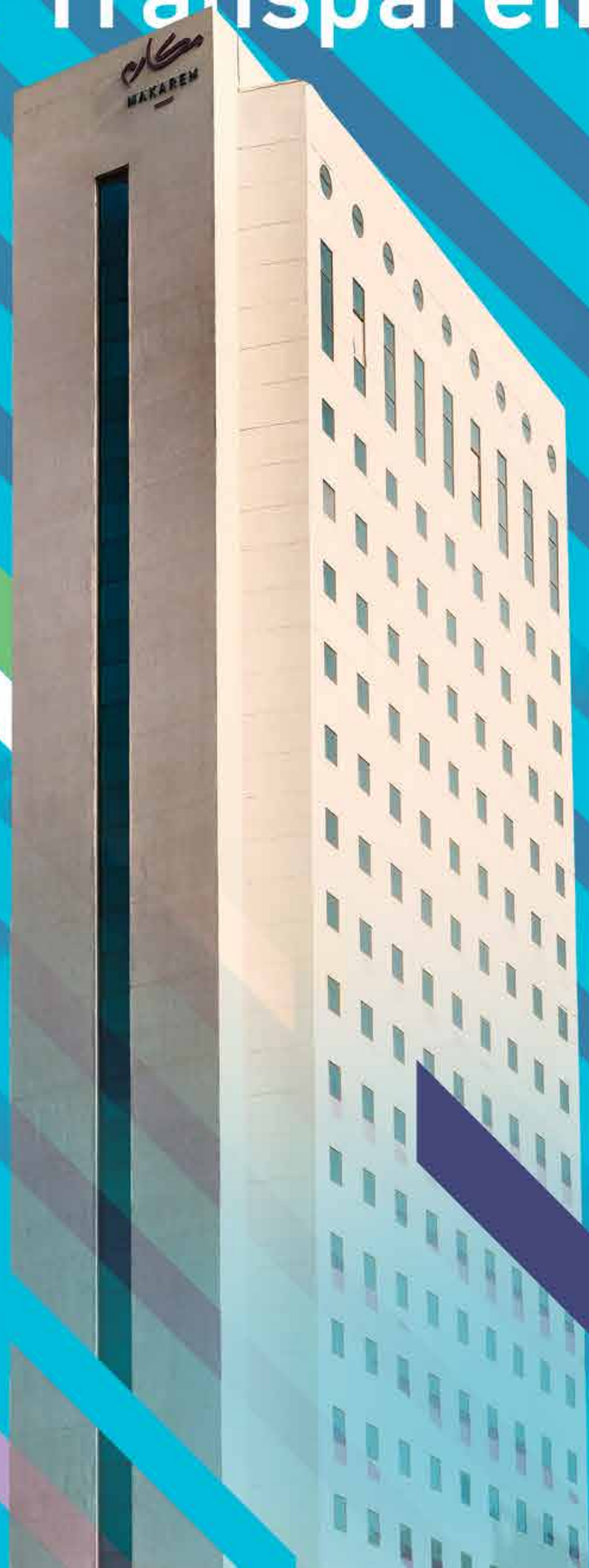
Commission Rate's Fair Value Price and Cash Flows Risks

It is the exposure to various risks associated with the impact of the prevailing commission rate fluctuations on the Company's financial position and cash flows. The Company's commission rate risk arises from Islamic murabaha, short-term bank loans, and long-term debt, which are at floating commission rates. All debts and deposits are subject to repricing on a regular basis. The Management monitors the changes in the commission rates and it believes that the commission rate's fair value and cash flows risks are not significant for the Company.

Liquidity Risks

They are risks regarding the Company's inability to provide the funds needed to meet its financial instruments' obligations; as the liquidity risks arise from the inability to sell a financial asset quickly at a sum close to its fair value. Liquidity risks are managed by monitoring them on a regular basis; in order to ensure that there is sufficient liquidity by following the expected collection schedules for the receivables from the clients; in addition to the bank financing instruments available to the Company; in order to meet its future obligations as they arise.

04 Disclosure and Transparency



Pursuant from the keenness of Dur Hospitality's Board of Directors on its relationship with the shareholders, the partners, the investors and the stakeholders, and in its belief in the importance of disclosure and transparency and its commitment thereto, the Board of Directors is pleased to provide you with the main disclosures; in addition to the financial results, which were previously explained according to the Corporate Governance Regulation issued by the esteemed Saudi Capital Market Authority, and the other relevant regulations as follows:

4.1 Application of the Provisions of the Corporate Governance Regulation

The Company applies all the mandatory provisions of the Corporate Governance Regulation, except for the "Guidance Articles", for the following reasons:

Article	Paragraph	Content	Non-Application Reasons
41	-	Develop the necessary mechanisms to assess the performance of the Board, its members, committees and executive management annually by the Board of Directors – based on the Nominations Committee's suggestion.	The Company is currently completing the procedures to achieve this.
70	-	Form a Risk Management Committee.	The Company currently applies the tasks and competencies related to this Committee through the Board of Directors and the Audit Committee.
71	1	Develop the Risk Management Committee's specializations and tasks.	
72	-	Risk Management Committee's meetings	
83	1-4	Develop clear and written policies and procedures to regulate the relationship with the stakeholders; in order to protect them and maintain their rights by the Board of Directors.	Work is under way to submit it to the Board for approval.
85	2 3g	2) Create programs that grant employees shares in the Company or a share of the profits they made; in addition to pension programs; and establish an independent fund to spend on these programs. 3) Establish social institutions for the Company's employees.	The Company is currently studying the status of these programs.
87	-	Based on the Board's suggestion, the Ordinary General Assembly develops a policy to ensure a balance between its objectives and those that the society aspire to achieve; in order to develop the society's social and economic conditions.	The Company is currently carrying out initiatives that support the objective of this policy, and the Board of Directors will study its status as a proposal to be submitted to the General Assembly.
88	1-4	Develop programs and identify the means necessary to launch the Company's initiatives in the social work field.	The Company is currently implementing some of the programs mentioned in this Article.
95	-	Form a competent Corporate Governance Committee.	All that is stated in the Article will be taken into account when forming the Committee.

4.2 Board of Directors

4.2.1 Formation of the Board of Directors and its Members' Ownership in the Company

Since the Board's session ended on the 31st of December 2018, the Company held the 12th Extraordinary General Assembly on 11/09/2018, and the Assembly's agenda included the election of the Board members (by cumulative voting) in the next session starting from the 1st of January 2019 for a period of three years ending on the 31st of December 2021. The following table shows the formation of the Company's Board of Directors and their ownership in the Company at the beginning and end of 2019:

Name	Membership Capacity	Number of Shares at the Beginning of the Year	Number of Shares at the End of the Year	Change
Eng. Abdullah Bin Mohammed Al- Issa (Board Chairman)	Non-Executive	1,449	1,449	-
Mr. Fahad Bin Abdullah Al-Kassim	Independent	1,100	1,100	-
Dr. Saleh Bin Ali Al-Hathloul	Non-Executive	1,000	1,000	-
Mr. Jihad Bin Abdulrahman Al-Qadi (Public Investment Fund Representative)	Non-Executive	16,628,458	16,628,458	-
Mr. Talal Bin Abdul Mohsen Al-Malafekh (Public Pension Agency Representative)	Independent	1,743,215	1,743,215	-
Mr. Abdullah bin Abdulrahman Al Shamrani (General Organization for Social Insurance Representative)	Non-Executive	6,540,591	4,950,591	(1,590,000)
Mr. Badr bin Abdullah Al- Issa	Non-Executive	1,485	1,485	-
Mr. Musaab bin Suleiman Al-Muhaidib	Independent	1,000	1,000	-
Mr. Ibrahim bin Ali Al Aboud (Al Nefaie Investment Group Representative)	Independent	24,100	24,100	-

- The Board of Directors decided to select H.E. Eng. Abdullah bin Mohammed Al-Issa as Chairman of the Board of Directors, and the Board also decided to select Mr. Fahad bin Abdullah Al-Kassim as Vice-Chairman of the Board in its new session, which began on the 1st of January 2019.
- The Board of Directors acknowledges that, with the exception of the Company's shares owned by the Board members stated in the table above, there are no special interests, option rights, subscription rights, or associations for the Board members, or their spouses or minor children in the Company or its subsidiaries, whether in the Company's shares, or any associations with direct or indirect employment contracts, etc.
- There are no shares owned by the Board members' spouses and their minor children in the Company, and there are no shares owned by representatives of the legal persons in the Board of Directors, their spouses and minor children.

4.2.2 The Names of the Companies inside or outside the Kingdom, where the Company's Board Member is a member of its Current and Former Board or one of its Directors

S.N	Name	Current Companies	Legal Entity	Former Companies	Legal Entity
1	Eng. Abdullah Bin Mohammed Al- Issa	1. Riyad Bank	Listed Joint-Stock Company	Arabian Cement Company	Listed Joint-Stock Company
		2. Saudi Basic Industries Company (SABIC)		National Medical Care Company (Care)	
		3. Saudi Arabian Mining Company (Ma'aden)		National Shipping Company of Saudi Arabia (NSCSA)	
		4. Etihad Etisalat Company (Mobily)		Jadwa Investment Company	Non-Listed Joint-Stock Company
				Cement Products Industries Company	
				National Chemical Carriers Company	
2	Mr. Fahad Bin Abdullah Al-Kassim	1. Dallah Healthcare Company	Listed Joint-Stock Company	1. Bank Albilad	Listed Joint-Stock Company
		2. Jarir Marketing Company		2. Abdullatif Alissa Group Holding	Non-Listed Joint-Stock Company
		3. Savola Group			
		4. Arriyadh Development Company			
		1. Fahad Abdullah Abdulaziz Al-Kassim & Sons Trading and Investment Co	Non-Listed Joint-Stock Company		
		2. Dr. Mohammed Rashid Al Faqih & Partners Company			
		3. Rakin Najd International Investment and Commercial Development Company			
		4. Saudi Heritage Hospitality Company – Nuzul (Representative of Dur Hospitality Company)			
		5. Saudi Post Corporation			
		6. Naqel Express Company (Representative of Saudi Post Corporation)			
		7. Al-Rajhi United Real Estate Investments Company			
		8. Alargan Projects Company			
		9. Abdullah Al Subaie Investment Company			
		1. Fincorp Financial Advisory Company	Non-Saudi Closed Joint-Stock Company		
		1. Amwal Financial Consultants Company	Limited Liability Company		
		2. Ariz Commercial Investment Company			
		3. Raj Real Estate Company			
		4. Al Rajhi Alpha Investment Holding Company			
		5. Rakin Najd International Company			
3	Dr. Saleh Bin Ali Al-Hathloul	1. Saleh Al-Hathloul Development Company Ltd.	Limited Liability Company	N/A	
		1. Rua Al Madinah Company	Closed Joint-Stock Company		
4	Mr. Jihad Bin Abdulrahman Al-Qadi	N/A		N/A	
5	Mr. Talal Bin Abdul Mohsen Al- Malafekh	N/A		National Company for Tourism - Syahya	Non-Listed Joint-Stock Company
6	Mr. Abdullah bin Abdulrahman Al Shamrani	N/A		N/A	
7	Mr. Badr bin Abdullah Al- Issa	1. Savola Group	Listed Joint-Stock Company	1. Knowledge Economic City	Listed Joint-Stock Company
		2. Banque Saudi Fransi		1. Saudi Fransi Capital Company	Non-Listed Joint-Stock Company
		3. Almarai Company		2. MASIC Holding Company	
		1. Savola Foods Company	Non-Listed Joint-Stock Company	3. Savola Packaging Systems	
		2. United Sugar Company (USC)		4. Kanan International Real Estate Development Company	
		3. Panda Retail Company		5. Alaqeeq Real Estate Company	
		4. Asilah Investment Company		6. Sukoon International Company	
		5. Afia International Company			
8	Mr. Musaab bin Suleiman Al-Muhaidib	1. Al-Hassan Ghazi Ibrahim Shaker Company	Listed Joint-Stock Company	1. Al Rayan Company	Non-Listed Joint-Stock Company
		2. Middle East Paper Company (MEPCO)			
		3. National Manufacturing Company			
		1. Several Companies from Al Muhaidib Group	Non-Listed Joint-Stock Company		
		2. Goldman Sachs Saudi Arabia			
		3. Masdar Building Materials			
		4. Al Muhaidb Group for Entertainment Sector			
9	Mr. Ibrahim bin Ali Al Aboud	Al Nefaie Investment Group	Closed Joint-Stock Company	N/A	

Note: All the companies mentioned in the table above are Saudi companies, except otherwise mentioned in front of them.

4.2.3 Board Members' Names, Current and Former Positions, Qualifications and Expertise

S.N	Name	Current Position	Former Position		Qualifications	Expertise
1	Eng. Abdullah Bin Mohammed Al- Issa	Businessman – Board Chairman of Asilah Investment Company	CEO of the Asilah Investment Company		He holds a Master's Degree in Engineering Management and a Bachelor's Degree in Industrial Engineering from Southern Methodist University, USA.	He has long practical experience in the banking, real estate, food and hospitality fields since 1981.
2	Mr. Fahad Bin Abdullah Al-Kassim	Businessman – Founder, Partner, and Board Chairman of the Amwal Financial Consultants Company	CEO of the Amwal Financial Consultants Company		He holds a Bachelor's Degree in Management Sciences specializing in accounting, and completed the Management and Leadership Program at Oxford University.	He has more than 28 years of practical experience in the financial and management consultancy, auditing, real estate activities, wholesale, retail and health fields.
3	Dr. Saleh Bin Ali Al-Hathloul	Businessman – Board Chairman of the Saleh Al-Hathloul Development Company Ltd.	Undersecretary of the Ministry of Municipal and Rural Affairs.		He holds a Ph.D. in Architecture and Environmental Studies from the Massachusetts Institute of Technology in the United States, and a Master's degree in Architecture and Planning from Harvard University.	He held several positions, most notably Professor and Head of the Architecture Department at the King Saud University, and the Undersecretary of the Ministry of Municipal and Rural Affairs.
4	Mr. Jihad Bin Abdulrahman Al-Qadi	Senior Department Manager - Local Real Estate Investments in the Public Investment Fund	Head of Business Development - Saudi Economics and Development Securities Company (SEDCO)		He holds a Master's Degree in Business Administration from the Hult International Business School and a Bachelor's Degree in Economics from the King Saud University, and has received a number of executive programs from several prestigious universities.	He has practical experience in the banking and investment sector since 2003, which includes working in the Investment Management at the NCB Capital Company, along with working in the Wealth Management at the Jadwa Investment Company, and in the Treasury Management at the NCB Capital Company.
5	Mr. Talal Bin Abdul Mohsen Al-Malafekh	Director General of Administrative Services at the Public Pension Agency	Director General of the Finance and Budget Affairs at the Public Pension Agency		He received a Master's Degree in Financial Management from the Curtin University in Australia in 2008, and also received numerous study courses and seminars in his work field	He has practical experience in the private and government sectors since 1993; as he worked at the Arab National Bank (ANB) for 7 years in the Financial Analysis Department, and then moved to the Public Pension Agency and gradated in a number of financial and administrative positions and participated in many committees specialized in financial policy and strategic planning.
6	Mr. Abdullah bin Abdulrahman Al Shamrani	Digital Development Director at the General Organization for Social Insurance	IT Strategy and Institutional Structure Program Director at the General Organization for Social Insurance		He holds a Master's Degree in the Information Systems Management and a Master's Degree in Financial Accounting from Monash University in Australia, along with a Bachelor's Degree in Computer Science from the Colorado State University in the United States; and he completed several executive and leadership programs in various fields and from global leading entities.	He has more than 12 years of practical experience, in which he moved between several technical and management roles; the most recent of which is the leadership of the Digital Transformation Program in the General Organization for Social Insurance.
7	Mr. Badr bin Abdullah Al- Issa	CEO of the Asilah Investment Company	CEO of the Amyas Holding Company, and CFO of the Asilah Investment Company		He holds a Master's in Business Administration from the Rice University in the United States and he is a Certified Financial Analyst (CFA).	He has practical experience in the analysis, financial investment and business leadership since 2001 (J.P Morgan - UK, SABIC America, Savage Design Group, HSBC Saudi Arabia Limited, Amyas Holding, and Asilah Investment Company).
8	Mr. Musaab bin Suleiman Al-Muhaidib	CEO of the Al Muhaidb Group for the Entertainment Sector	General Manager of Masdar Building Materials		He holds a Master's of Business Administration from the University of Liverpool in the United Kingdom and a Bachelor's Degree in Finance from the University of Miami.	He has more than 17 years of practical experience in the strategic business development and growth, mergers and acquisitions, project leadership and real estate operations fields.
9	Mr. Ibrahim bin Ali Al Aboud	Acting CEO of the Al Nefaie Investment Group	Regional Director of the Al Nefaie Investment Group		He holds a Bachelor's Degree in Accounting from King Saud University.	He has more than 17 years of experience, starting with the Al Rajhi Financial Company in the Brokerage Management, after which he moved to Al Nefaie Investment Group and was promoted to being the CEO of the Company.

4.2.4 The Committee Members' Names, Current and Former Positions, Qualifications and Expertise (outside the Board and the Executive Management):

S.N	Name	Current Position	Former Position		Qualifications	Expertise
1	Mr. Ibrahim Bin Salem Al-Ruwais	Currently retired, member of several boards of directors and joint-stock committees.	Financial Advisor, and Internal Auditor of the Public Pension Agency		He holds a Bachelor's Degree in Accounting from the Faculty of Administrative Science at the King Saud University in 1982, and he received many study courses and seminars in his work field within and outside the Kingdom.	Mr. Ibrahim moved between a number of important jobs and positions during his career; as he started in the General Accounting Department at the Ministry of Finance in 1402 AH, and he gradated in many jobs and positions until he moved to work at the Public Pension Agency from 1424 AH until his retirement on 20/02/1439 AH.
2	Mr. Abdulrahman bin Abdullah Dehaim (from outside the Board)	Member of several boards of directors in joint stock companies	Executive Vice President in the Dur Hospitality Company		He holds a Bachelor's Degree in Accounting from the Faculty of Administrative Science at the King Saud University in 1982, and he received many study courses and seminars in the accounting, management and leadership fields from within and outside the Kingdom.	Mr. Abdulrahman moved between a number of important jobs and positions during his career; as he joined the General Organization of Social Insurance, the Saudi House of Advisory Services, and the Dur Hospitality Company, in which he worked from 1986 to 2014.
3	Mr. Fawzi Bin Abdulrahman Bobchet (Outside the Board)	Vice President of Human Resources at the Ma'aden Company	Acting Vice President of Human Resources at the Ma'aden Company		Bobchet holds three Master's degrees, one in the Human Resources Management from Mays Business School in Texas, one in Education from the University of Minnesota, and the last in Computer Engineering from King Fahd University of Petroleum and Minerals (KFUPM), from which he obtained a Bachelor's Degree in Computer Engineering.	He has more than 30 years of practical experience in the human resources management and development field; as he worked in the human resources sector in the leading oil and industrial companies, such as Saudi Aramco and Chevron, before joining the Ma'aden Company in January 2012 as the Director of the Talent Management, the Organization's Design and the Change Management. In 2013, he was promoted to Acting Vice President of the Human Resources, and then he became the Vice President of Human Resources in 2016. He is a member of the Board of Directors of the Saudi Technical Institute for Mining.

4.2.5 The Actions taken by the Board of Directors to inform its Members, particularly Non-Executives, of the Shareholders' Suggestions and Observations about the Company and its Performance

The Board of Directors authorized the Company to take the necessary measures to enable shareholders to communicate their suggestions and observations through the communication channels available at the "Investor Relations Management" which are as follows:

Tel: **011/4816666, Extension No. (500)**

Fax: **011/4801666**

Email: **IR@Dur.sa**

4.2.6 Board Meetings' Attendance Record for 2019

The following statement indicates the record of the Board members' attendance of its meetings in 2019:

Name	First Meeting 11/09/2018	Second Meeting 14/03/2019	Third Meeting 17/04/2019	Fourth Meeting 12/05/2019	Fifth Meeting 03/09/2019	Sixth Meeting 16/12/2019	Total
	Number of Meetings: 6 Meetings						
Eng. Abdullah Bin Mohammed Al- Issa	✓	✓	✓	✓	✓	✓	6
Mr. Fahad Bin Abdullah Al-Kassim	✓	✓	✓	✓	✓	✓	6
Dr. Saleh Bin Ali Al-Hathloul	✓	✓	✓	✓	✓	✓	6
Mr. Jihad Bin Abdulrahman Al-Qadi	✓	✓	✓	✓	✓	✓	6
Mr. Talal Bin Abdul Mohsen Al-Malafekh	✓	✓	✓	✓	✓	✓	6
Mr. Abdullah bin Abdulrahman Al Shamrani	✓	✓	✓	✓	✓	✓	6
Mr. Badr bin Abdullah Al- Issa	✓	✓	✓	✓	✓	✓	6
Mr. Musaab bin Suleiman Al-Muhaidib	✓	✓	✓	✓	✓	✓	6
Mr. Ibrahim bin Ali Al Aboud	✓	✓	✓	✓	✓	✓	6

Late General Assembly Meeting Date: 12/05/2019

4.2.7 A Statement of the Dates of the Shareholders' General Assemblies held during fiscal year 2019 and the Names of the Board Members present for these Meetings

Name	Number of Assemblies: One Meeting The 50th Ordinary General Assembly Meeting on 12/05/2019
Eng. Abdullah Bin Mohammed Al- Issa	✓
Mr. Fahad Bin Abdullah Al-Kassim	✓
Dr. Saleh Bin Ali Al-Hathloul	✓
Mr. Jihad Bin Abdulrahman Al-Qadi	✓
Mr. Talal Bin Abdul Mohsen Al-Malafekh	✓
Mr. Abdullah bin Abdulrahman Al Shamrani	✓
Mr. Badr bin Abdullah Al- Issa	✓
Mr. Musaab bin Suleiman Al-Muhaidib	✓
Mr. Ibrahim bin Ali Al Aboud	✓

4.2.8 Remunerations and Compensations allocated to the Board Members

In 2019, the Board members received the following remunerations and allowances:

	Fixed Remunerations			Variable Remunerations	
Name	Certain Amount	Board Meeting Attendance Allowance	Total	Periodic Remunerations	Overall Total
First: Independent Members					
Mr. Talal Bin Abdul Mohsen Al- Malafekh	200,000	18,000	218,000	-	218,000
Mr. Fahad Bin Abdullah Al-Kassim	200,000	15,000	215,000	-	215,000
Mr. Musaab bin Suleiman Al-Muhaidib	200,000	18,000	218,000	-	218,000
Mr. Nasser bin Mohammed Al-Subaie	200,000	-	200,000	-	200,000
Mr. Ibrahim bin Ali Al Aboud	-	18,000	18,000	-	18,000
Total	**800,000**	**69,000**	**869,000**	**-**	**869,000**
Second: Non-Executive Members					
Eng. Abdullah Bin Mohammed Al- Issa	200,000	18,000	218,000	200,000	418,000
Mr. Jihad Bin Abdulrahman Al-Qadi	-	18,000	18,000	-	18,000
Mr. Abdullah bin Abdulrahman Al Shamrani	-	18,000	18,000	-	18,000
Dr. Saleh Bin Ali Al-Hathloul	200,000	18,000	218,000	-	218,000
Mr. Badr bin Abdullah Al- Issa	200,000	18,000	218,000	-	218,000
Mr. Fahad Abdullah Al-Sharif	200,000	-	200,000	-	200,000
Mr. Abdullah Bin Mohammed Al Abdul Jabbar	200,000	-	200,000	-	200,000
Total	**1,000,000**	**90,000**	**1,090,000**	**200,000**	**1,290,000**
Overall Total	**1,800,000**	**159,000**	**1,959,000**	**200,000**	**2,159,000**

Note that the remunerations mentioned in the table above represent the remuneration of the Board members for 2018, which was disbursed in 2019 after the approval of the Shareholders' General Assembly. As for the meetings attendance allowances, they are in the form of allowances for attending the Board members' meetings for 2019.

4.2.9 Committee Members Remunerations

	*Fixed Remunerations (Except the Meetings Attendance Allowance)	Meetings Attendance Allowance	Total
Audit Committee Members			
Mr. Talal Bin Abdul Mohsen Al- Malafekh (Committee Chairman)	75,000	15,000	90,000
Mr. Jihad Bin Abdulrahman Al-Qadi	-	9,000	9,000
Mr. Ibrahim Bin Salem Al-Ruwais (from outside the Board)	75,000	15,000	90,000
Mr. Abdulrahman bin Abdullah Dehaim (from outside the Board)	75,000	15,000	90,000
Mr. Fahad Al-Sharif	75,000	-	75,000
Total	**300,000**	**54,000**	**354,000**
Nominations and Remunerations Committee's Members			
Mr. Musaab bin Suleiman Al-Muhaidib (Committee Chairman)	75,000	15,000	90,000
Mr. Abdullah bin Abdulrahman Al Shamrani	-	15,000	15,000
Mr. Ibrahim bin Ali Al Aboud	-	15,000	15,000
Mr. Fawzi Bin Abdulrahman Bobchet (From outside the Board)	75,000	15,000	90,000
Mr. Abdullah Al Abdul Jabbar	75,000	-	75,000
Total	**225,000**	**60,000**	**285,000**
Investment Committee Members			
Mr. Fahad Bin Abdullah Al-Kassim	75,000	15,000	90,000
Dr. Saleh Bin Ali Al-Hathloul	75,000	15,000	90,000
Mr. Badr bin Abdullah Al- Issa	75,000	15,000	90,000
Mr. Jihad Bin Abdulrahman Al-Qadi	-	15,000	15,000
Total	**225,000**	**60,000**	**285,000**
Overall Total	**750,000**	**174,000**	**924,000**

Note that the remunerations mentioned in the table above represent the remuneration of the Board Committee members for 2018, which was disbursed in 2019. As for the attendance allowances, they are in the form of allowances for attending the Committee members' meetings for 2019.

4.2.10 Remuneration Policy for the Board and Emerging Committees Members

The Company's disbursement of the remunerations described above is based on the following:

1. In exchange of his membership, the Board member will be entitled to an annual remuneration of no more than SAR 200,000 per member, or as determined by the Shareholders' General Assembly based on the Board of Directors' suggestion.
2. The Board and Emerging Committees member will be entitled to an attendance allowance of SAR 3,000 for each meeting he attends; and the Company will bear the travel, accommodation and transportation expenses when any member of the Board of Directors and its emerging committees attend one of the Board or committees meetings held outside the city of his residence.
3. The Board of Directors may approve other remunerations, whether periodically or annually, for the members of the Board of Directors and its emerging committees.
4. The Members of the emerging committees are entitled to an annual remuneration of no more than SAR 100,000; provided that the Committee member is not a Company employee.

Note that these remunerations did not deviate from the approved remuneration policy's controls.

4.3 Board Committees

First: Remunerations and Nominations Committee

The Committee held (5) meetings in 2019 and submitted its reports to the Board of Directors. The Remunerations and Nominations Committee consists of the following:

S.N	Name	Position	First Meeting 19/02/2019	Second Meeting 28/02/2019	Third Meeting 11/03/2019	Fourth Meeting 23/04/2019	Fifth Meeting 30/07/2019	Total
1	Mr. Musaab bin Suleiman Al-Muhaidib	Chairman	✓	✓	✓	✓	✓	5
2	Mr. Abdullah bin Abdulrahman Al Shamrani	Member	✓	✓	✓	✓	✓	5
3	Mr. Ibrahim bin Ali Al Aboud	Member	✓	✓	✓	✓	✓	5
4	Mr. Fawzi Bin Abdulrahman Bobchet	Member	✓	✓	✓	✓	✓	5

Remunerations and Nominations Committee's Tasks and Specializations

A) Remunerations:

1. Prepare a remuneration policy for the Board and Committees members and the Senior Executives, and make a recommendation for it to the Board of Directors; in order to be approved by the General Assembly.
2. Audit the Remuneration Policy on a periodic basis; in order to ensure that it is suitable to the changes that may occur to the relevant legislations and regulations, the Company's strategic objectives, the skills and qualifications needed to achieve it; and make a recommendation to the Board of Directors regarding the proposed changes to this Policy.
3. Make a recommendation to the Board of Directors regarding the remunerations of its Board and Committees members and the Senior Executives; in accordance with the Policy approved by the Company's Ordinary General Assembly.
4. Prepare an annual report on the remunerations granted to the Board and Committees members and the Senior Executives.
5. Identify the types of remunerations granted to the Company's employees and make a recommendation for them.

B) Board of Directors:

1. Prepare a policy and criteria for the membership of the Board of Directors, and make a recommendation to the Board on them; in order to be approved by the Company's Ordinary General Assembly.
2. Recommend the Board of Directors to be nominated for the Board's membership, in accordance with the approved membership policy.
3. Conduct an annual audit for the needed requirements from suitable skills for the Board's membership.
4. Prepare a description of the capabilities and qualifications required for the Board's membership and the assumption of executive management positions.
5. Determine the period that the member must allocate for the Board's work.
6. Audit the Board Membership Policy to ensure that it is suitable for the changes that may occur to the relevant legislations and regulations, the Company's strategic objectives, the skills and qualifications needed to achieve it; and make a recommendation to the Board of Directors regarding the proposed changes to this Policy.
7. Study the conflicts of interest cases for those wishing to run for the Board's membership and make a recommendation on them.
8. Study the Board's structure and make recommendations regarding the changes that can be made.
9. Identify the weaknesses and strengths in the Board of Directors, and propose solutions to address them; in accordance with the Company's interest.
10. Establish procedures in the event of the vacancy in the Board or Emerging Committees member position, and make a recommendation on them.
11. Recommend the Board of Directors to use the performance standards; in order to assess the work of the Board of Directors, its members and its emerging committees.

C) Board Members::

1. Determine the time the member must allocate for the Board's work.
2. Ensure the independence of the independent members on an annual basis, and the absence of any conflict of interests if the member serves as a board member in another company.
3. Develop a job description of the executive, non-executive and independent members.
4. Recommend the Board of Directors to re-nominate or dismiss a Board member or members of its committees.

D) Induction Program for New Members:

Recommend the Board of Directors to develop an induction program for the new Board members; in order to cover the Company's activity, the nature of its business and its financial and legal aspects.

E) Senior Executives:

1. Recommend the Board of Directors to develop suitable policies and standards for the appointment of senior executives; along with identifying the required capabilities and skills and auditing them on a periodic basis; in order to ensure that they are suitable for the changes that may occur to the Company's strategic objectives, and the skills and qualifications needed to achieve them.
2. Develop a job description of the Senior Executives, audit the Company's organizational structure, and make recommendations regarding the changes that can be made.
3. Develop the job succession procedures in the event of a vacancy in one of the senior executives' positions and make a recommendation on them.

Second: Audit Committee

In 2019, the Audit Committee held (5) meetings and the Audit Committee consists of the following:

S.N	Name	Position	First Meeting 06/02/2019	Second Meeting 28/02/2019	Third Meeting 06/05/2019	Fourth Meeting 19/08/2019	Fifth Meeting 03/11/2019	Total
1	Mr. Talal Bin Abdul Mohsen Al- Malafekh	Chairman	✓	✓	✓	✓	✓	5
2	Mr. Jihad Bin Abdulrahman Al-Qadi	Member	X	✓	✓	X	✓	3
3	Mr. Ibrahim Bin Salem Al-Ruwais	Member	✓	✓	✓	✓	✓	5
4	Mr. Abdulrahman bin Abdullah Dehaim	Member	✓	✓	✓	✓	✓	5

Audit Committee's Tasks and Specializations

The Audit Committee is responsible for monitoring the Company's work and verifying the safety and integrity of its reports, the financial statements and the internal control systems, and the Committee's tasks include in particular the following:

A) Financial Reports:

1. Audit the Company's financial statements and announcements regarding its financial performance and make a recommendation to the Board of Directors on them.
2. Provide a technical opinion on whether the Board report and the Company's financial statements were prepared in accordance with the statutory requirements specifying their preparation and submission method.
3. Study the unusual issues contained in the financial statements and make a recommendation on them, if necessary.
4. Look into any matters raised by the Company's CFO, his deputy, the Company's Compliance Officer or the Auditor.
5. Audit the accounting estimates in the core issues contained in the financial reports.
6. Audit the Company's financial and accounting policies, give an opinion thereon, and make a recommendation to the Board of Directors on them.

B) Study of the Internal Control Systems:

1. Audit the internal and financial control systems and the risk management systems, and ensure their effectiveness through periodic reports submitted from the Internal Audit Management or others on the adequacy and effectiveness of internal and financial control systems and the risk management systems; along with following up with the implementation of the recommendations and the corrective actions for the observations contained therein.
2. Prepare a report to the Board of Directors that includes its opinion on the adequacy of these systems and its recommendations to address the fundamental issues and any recommendations for the development of these systems in regards to their other work within their specialization.

C) Internal Audit Management:

1. Study and audit the periodic reports provided by the Internal Audit Management, and follow up with the implementation of the corrective actions for the observations therein.
2. Supervise and monitor the Internal Audit Management's work, along with verifying its effectiveness in performing its tasks and responsibilities.
3. Recommend to the Board of Directors to appoint or dismiss the Internal Audit Management's Director and assess his performance on an annual basis.
4. Recommend to the Board of Directors to adopt the organizational structure and job description of the Internal Audit Management, and to ensure its independence in the Company's organizational structure.
5. Study the annual audit plan with the Internal Audit Management and adopt it..

D) Auditor:

1. Recommend to the Board of Directors to nominate and dismiss auditors, determine their fees, assess their performance, and audit their scope of work and contract terms.
2. Verify the Auditor's independence and effectiveness of his work, in the light of the statutory controls governing it.
3. Audit the plan and work of the Company's Auditor, and verify his compliance with the statutory controls his work.
4. Answer the inquiries of the Company's Auditor and provide the necessary support to enable him to perform his tasks.
5. Study the Auditor's reports and observations on the financial statements and follow up with what has been taken thereon.

E) Compliance Assurance:

1. Audit the regulatory bodies' reports on the Company's compliance with the regulations and instructions, and ensure that the necessary actions are taken.
2. Verify the Company's compliance with relevant systems, regulations, policies and instructions.
3. Audit the contracts and dealings proposed to be conducted by the Company with the relevant parties, and submit its views in this matter to the Board of Directors.
4. Submit and recommend to the Board of Directors the necessary actions to be taken in the matters that the Board deems necessary to take action thereon.

F) Observations Provision Arrangements:

1. Develop the appropriate mechanism through which the Company's employees are able to provide their observations on any violation of the Company's internal regulations, including those related to the preparation of the Company's financial statements; provided that this mechanism ensures that the observation provider's rights will not be violated due to its submission.
1. Develop the appropriate procedures to carry out and follow up with the observations made by the Company's employees, and ensure the independence of these procedures.

Third: Investment Committee

In 2019, the Investment Committee held (5) meetings and submitted its reports to the Board of Directors. The Committee consists of the following:

S.N	Name	Position	First Meeting 18/02/2019	Second Meeting 16/04/2019	Third Meeting 01/09/2019	Fourth Meeting 17/11/2019	Fifth Meeting 10/12/2019	Total
1	Mr. Fahad Bin Abdullah Al-Kassim	Chairman	✓	✓	✓	✓	✓	5
2	Dr. Saleh Bin Ali Al-Hathloul	Member	✓	✓	✓	✓	✓	5
3	Mr. Badr bin Abdullah Al- Issa	Member	✓	✓	✓	✓	✓	5
4	Mr. Jihad Bin Abdulrahman Al-Qadi	Member	✓	✓	✓	✓	✓	5

Investment Committee's Tasks and Specializations

1. Work with the Executive Management to develop the Company's investment strategy and policy, in accordance with the nature of its work, activities and risks, and make a recommendation on them.
2. Audit the investment strategy and policy on a periodic basis; in order to ensure their suitability to the changes that may occur to the external environment in which the Company operates, or the legislations governing its business or its strategic objectives, or others, and make a recommendation to the Board of Directors regarding the changes proposed for this policy.
3. Conduct a general supervision for the Company's investment activities and develop appropriate procedures to measure and assess the investment performance.
4. Ensure that the proposed investment opportunities comply with the relevant systems, regulations and instructions.
5. Identify and prioritize the proposed investment offers.
6. Study and assess the investment opportunities proposed by the Company's management in regards to the following dealings and make a recommendation on them:

   A) Mergers or acquisitions of companies, businesses or assets.

   B) Termination, sale, transfer of ownership or exit from or dispose of an existing investment.

   C) Joint projects under a partnership agreement or joint ventures.

   D) Investment in new or existing projects or expansion projects and the projects' expansions in which the Company has an interest.

   E) Investment opportunities that the Company's management wishes to enter into.

   F) Study the financing possibilities of the above-mentioned dealings.

7. Study the periodic reports from the Executive Management on the progress of the approved investment opportunities.

4.4 Executive Management

The Company's Executive Management, which is delegated by the Board of Directors, manages the Company's business; represented by the CEO and assisted by its deputies, heads of sectors and subsidiary companies. This Management assumes all the executive responsibilities of the Company's activities including the operational, financial, administrative, technical, informatics, risk management aspects, and all the activities related to the Company's work. Furthermore, the Management assists in the follow-up of some of the exceptional works and tasks and implements committees formed by the Company's Executive Management when needed.

4.4.1 Statement of the Company's Senior Executives in 2019

Name	Capacity
Dr. Badr Bin Hamoud Al-Bader*	Former CEO
Mr. Sultan bin Bader Al-Otaibi	Current CEO
Mr. Ahmed bin Mubarak Baharethah	Accounting Management Director and Board Secretary
Mr. Abdul Mohsen Bin Abdul Wahab Al Hammad**	CFO

*He submitted his resignation effective from 30/06/2019

**He submitted his resignation effective from 12/09/2019

4.4.2 Statement of Ownership of the Senior Executives, their Spouses and Minor Children in the Company's Shares during 2019*

There are no shares owned by the Senior Executives' spouses and their minor children in the Company.

4.4.3 Statement of the Compensations and Remunerations for Five Senior Executives during 2019*

Statement	Amount (SAR)
Salaries and Compensations	4,842,088
Allowances	1,294,006
Remunerations and Incentives	2,855,146
Total	**8,991,240**

*The CEO and CFO are among the list of the five senior executives.

4.4.4 Statement of the Senior Executives' CVs on 31/12/2019

S.N	Name	Current Position	Former Position	Qualifications	Expertise
1	Mr. Sultan bin Badr Al-Otaibi	CEO of the Dur Hospitality Company	Vice-President of Properties and Assets	He holds a Master's Degree in Hotel Hospitality from the Emirates Academy of Hospitality Management, in partnership with the University of Lausanne, Switzerland, and a Bachelor's Degree in Accounting from the King Saud University in Riyadh, and he took three specialized courses in the Cornell University	He has more than (19) years of experience in the finance and business leadership fields in the hotel and real estate sectors.
2	Mr. Ahmed bin Mubarak Baharethah	Accounting Management Director and Board Secretary	Head of Accounts Department	He holds a Bachelor's Degree in Accounting from the King Saud University in Riyadh	He has more than (30) years of experience in the accounting and business leadership fields in the hotel sector.

4.5 Subsidiaries and Affiliates

In March 2019, the Company acquired 60% of the capital of the Shada Hotels Company, which operates within Saudi Arabia and concentrates on its hotel and real estate activities.

The number of subsidiaries and other companies invested by Dur Hospitality Company reached (16) limited liability companies (except for the "Saudi Heritage Hospitality Company"), which is a closed joint-stock company established and operated all its activities within the Kingdom of Saudi Arabia. Its purposes are concentrated on the hotel and real estate activities as follows:

S.N	Subsidiary Company	Main Activity	Establishment Year	Capital (SAR)	Enterprise owned by the Subsidiary Company	Dur's Contribution Rate (%)	Company's Total Revenue for 2019 (SAR)
1	Makkah Hotels Company	Accommodation	1982	165,600,000	Makarem Ajyad Makkah Hotel	99.44%	70,805,789
2	Annakheel for Tourist Areas Company	Accommodation – Real Estate	1992	59,250,000	Makarem Annakheel Village in Jeddah	98.73%	31,440,269
3	Tabuk Hotels Company	Accommodation	1985	27,300,000	Holiday Inn Tabuk Hotel	97.14%	14,477,068
4	Saudi Hotels Services Company	Accommodation	1976	70,000,000	Riyadh Palace Hotel in Riyadh	70%	29,068,518
5	Shada Hotels Company	Accommodation – Real Estate	2019	40,000,000	A number of enterprises in Makkah and Medina Regions	60%	10,013,638
6	National Company for Tourism (Syahya)	Accommodation – Real Estate	1989	422,000,000	A number of enterprises in the Asir Region	1.65%	Its final accounts have not been finalized
7	Saudi Heritage Hospitality Company (Nuzul)	Accommodation	2015	62,500,000	Samhan Hotel – Under Construction	25%	Activity has not started
8	Security Source Company	Safety and Security	2015	100,000	-	95%	These subsidiary companies has not registered any revenues yet
9	Jude Alia Company	Building and Construction	2014	100,000	.	100%	
10	Al Sawaed Al Kareemah Company	Support Services Provision	2015	100,000	-	95%	
11	Ambassadors Hotel Accommodation Company	Accommodation	2018	100,000	Marriott Hotel and the Marriott Hotel Apartments in the El-Sefarat District	100%	
12	Waha Dara Company Ltd.	Accommodation	2018	100,000	-	100%	
13	Medina Hotels Company	Hotel – Real Estate	1983	1,000,000	-	50%	
14	Dur Makarem Company	Visas and Visits Services	2018	100,000	-	100%	
15	Ideal Projects Company	Real Estate	2019	100,000	-	100%	
16	Al-Sarh Al-Aneek Company	Operation and Maintenance	2019	100,000	-	100%	

We would like to note that there are no debt instruments issued to any of the above subsidiary companies.

4.6 Disclosures

Given the Company's commitment to disclose all the important information regarding the performance of its business activities and the statement of its financial results with all transparency, the following is a description of these disclosures:

1. The Company's Board of Directors acknowledges the following::
   - The account records were prepared in a proper manner.
   - The internal control system was properly developed and effectively implemented.
   - There is no shred of doubt about the Company's ability to continue its activities.
2. There are no differences from the accounting standards issued by the Saudi Organization for Certified Public Accountants.
3. The Company did not receive any communication of any interest in the voting rights category belonging to persons (except Company's Board members, the Senior Executives and their relatives) who have informed the Company of these rights under Article (45) of the CMA's Registration and Listing Rules.
4. The Company does not have any categories, transferable debt instruments, contractual securities, subscription right memoranda or similar rights issued or granted by the Company during the fiscal year.
5. The Company has no transfer or subscription rights under transferable debt instruments, contractual securities, subscription right memoranda or similar rights issued or granted by the Company.
6. There is no refund, purchase or cancellation by the Company or its subsidiaries of any refundable debt instruments.
7. There are no arrangements or agreements under which a member of the Company's Board of Directors or a senior executive waives any salary or compensation.
8. There are no arrangements or agreements under which one of the Company's shareholders waives any rights in the profits.
9. There are no specific investments or set-side reserves established for the benefit of the Company's employees, except the incentive remunerations provisions and the end-of-service gratuity provided by the Saudi Labor System; as the end-of-service gratuity for the employees of Dur Hospitality Company amounted to SAR (59,564,582) as on the 31st of December 2019.
10. There is no reservation made by the Chartered Accountant on the annual financial statements.
11. The Board of Directors did not recommend the replacement of the Chartered Accountant before the end of the period for which he was assigned.
12. There are no penalties, sanctions or precautionary restrictions imposed on the Company by the regulatory, statutory, supervisory or judicial authorities during the fiscal year 2019.

4.7 Results Of The Annual Review Of The Efficiency Of Internal Control

The Company is constantly working on the development of the internal control system and its effective implementation; as the Company has an Internal Audit Management that ensures the application of the appropriate control systems, determines the general perception of the risks facing the Company and deals with them with transparency, and it also audits the Company's various operations according to the approved audit plan, views all the documents and dealings, and submits its reports periodically to the Audit Committee and the Board of Directors. The Internal Audit Management submitted reports during the year on the results of its work and its recommendations; as it became clear that there were no substantive observations requiring any corrective action, and the observations contained therein were being followed up and avoided.

4.8 Transactions with related Parties

There are no new contracts in which the Company is a party therein, and has an interest for some Board members, the CEO, the CFO or anyone associated with any of them, with the exception of the following:

A) The 10-year management and operation contracts that are automatically renewed for the Al-Andalus Residence Compound, Makarem Umm Al-Qura Hotel, Makarem Al-Bait Hotel, Al-Rawdah Residence Compound, Al Jazira Badr Compound, and Al-Yasmin Residential Compound owned by Asilah Investment Company, which is managed by Chairman Eng. Abdullah Bin Mohammed Al-Issa and the Board Member Mr. Badr Bin Abdullah Al-Issa.
It is worth mentioning that these contracts are management and operating contracts under which the Company operates these enterprises in exchange for a specified percentage of the total revenue and a specified percentage of the total operating profit for each enterprise.
The Company received a total fee of SAR (2,839,320) during 2019 compared to SAR (2,765,106) in the previous year 2018 for the management and operation of these enterprises.

The following statement illustrates the breakdown of these fees:

Statement (SAR)	Contract Year	2019	2018
Dur Al-Andalus Compound	1995	117,148	659,996
Makarem Umm Al-Qura Hotel	2008	777,917	712,824
Dur Al-Rawdah Compound	2010	296,688	292,209
Makarem Al-Bait Hotel	2008	362,748	416,934
Dur Bader Compound	1998	777,493	189,477
Dur Al-Yasmin Compound	2014	507,326	493,667
Total		**2,839,320**	**2,765,107**

B) Since the "Asilah Investment Company" and the "Abdullah Bin Mohammed Al-Issa & Sons" Company are among the shareholders of Dur Hospitality Company, it should be noted that Eng. Abdullah bin Mohammed Al-Issa (Chairman) and Mr. Badr Bin Abdullah Al-Issa (Board Member) have an interest in Asilah Investment Company; while they also have an interest in the Abdullah Bin Mohammed Al-Issa & Sons Company. The statement below explains the change in the ownership of the shares of these companies during 2019:

Name	Number of Shares at the Beginning of the Year	Number of Shares at the End of the Year	Change	Ownership Rate at the End of the Year
Asilah Investment Company	27,143,784	27,143,784	-	27.1%
Abdullah Bin Mohammed Al-Issa & Sons	28,982	28,982	-	0.03%

C) On 10/06/2015, a contract was signed between the Dur Hospitality Company and the Asilah Investment Company, which is managed by the Board Chairman Eng. Abdullah Bin Mohammed Al-Issa and the Board Member Mr. Badr Bin Abdullah Al-Issa, under which the Asilah Company rents an office space of (400 m2) at the Courtyard Marriott Hotel owned by Dur Hospitality Company for an annual rent of SAR (400,000) for a period of three years, renewed automatically.

D) The following is a statement for the amounts of the dealings with the relevant parties and the resulting balance during the two fiscal years ended on the 31st of December 2018:

First: Amount entitled from the Relevant Parties:

		Dealings Amounts		Balance	
	Nature of the Dealings	2019	2018	2019	2018
Makarem Al-Shaqria Hotel	Technical and Administrative Fees	920,000	-	1,656,259	-
Dur Al-Yasmin Compound		507,326	490,929	1,047,797	876,559
Makarem Al-Bait Hotel		362,748	416,934	532,125	1,381,480
Makarem Umm Al-Qura Hotel		777,917	712,824	928,775	508,673
Makarem Al-Maarifa Company		-	463,521	-	18,365,582
Dur Al-Maather Compound		85,540	-	1,319,543	-
Others		689,849	399,858	1,007,089	1,117,800
Total				**6,491,588**	**22,250,094**

Second: Amount entitled to the Relevant Parties:

		Dealings Amounts		Balance	
	Nature of the Dealings	2019	2018	2019	2018
Al-Jazira and Al-Daoudia Compounds	Technical and Administrative Fees	-	-	18,460,369	18,957,438
Al-Madina Hotels Company Ltd.		-	-	14,651,496	14,651,496
Dur Al-Rawdah Compound		296,617	308,805	2,636,782	2,656,756
Makarem Mina Hotel		229,367	492,377	1,169,043	1,759,008
Dur Al-Andalus Compound		117,147	659,995	1,006,709	775,912
Others		287,261	532,506	235,906	644,731
Total				**38,160,305**	**39,445,341**

4.9 Major Shareholders

Dur Hospitality did not receive any notice of ownership during 2019, in accordance with Article (45) of the Registration and Listing Rules. In any case, the following shareholders owned at least 5% of the Company's capital by the end of 2019:

Shareholder	Shared owned at the Beginning of the Year	Shared owned at the End of Year	Ownership Rate at the End of the Year
Asilah Investment Company	27,143,784	27,143,784	27.1%
Public Investment Fund	16,628,458	16,628,458	16.6%
Sheikh Mohammed bin Ibrahim Al-Issa	12,001,449	12,001,449	12%

4.10 Statement of the Number of the Company's Applications for the Shareholders' Register

Number of the Company's Requests for the Shareholders' Register	Request Date	Request Reasons
1	14/02/2019م	Company's Procedures
2	12/05/2019م	General Assembly
3	15/05/2019م	Profits File

Consolidated Financial Statements 31 December 2019

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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Dur Hospitality Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property and equipment	
At 31 December 2019, total property and equipment of the Group amounted to SR 2.5 billion, representing 71% of total assets. The Group's management (" the management"), on an annual basis, reviews the carrying values of its property and equipment to assess whether there is an indication of impairment. If an indication exists, the management estimates the recoverable amounts. The management reviews the indication of impairment in the value of its property and equipment, taking into account the following internal and external factors: • General indicators for significant impairment in the value of property and equipment. • Significant changes with negative impact in relation to economical or regulatory factors or the sector in which the Group operates. • Evidence of obsolesce or damage to property and equipment. • Significant changes with negative impact on property and equipment including business discontinuation or disposal plans. • Recurring operational losses of the cash-generating unit ("CGU") associated with property and equipment. We considered this as a key audit matter, since the assessment of impairment indicators requires a significant management judgment in determination of the internal and external impairment indicators. Also, the potential impairment, if any, may have significant impact on the consolidated statement of financial position and consolidated result of operations of the Group. Refer to note (2.3) to the consolidated financial statements for the accounting policy of impairment of non-financial assets and note (12) for the disclosure of property and equipment.	Audit procedures that we performed included the following: • Assessed the appropriateness of the management's procedures to ensure whether an indication of impairment exists or not. • Obtained and reviewed the management report to assess whether there is an indication of impairment. • Reviewed the management reports, on a sample basis, to assess the physical condition of property and equipment. • Reviewed the internal reports (including the Board of Directors minutes of meetings) to assess any future plans in relation to property and equipment. • Reviewed the statement of operating income for CGU associated with property and equipment during the year. • Assessed the adequacy of the Group's disclosures relating to impairment of non-financial assets in the consolidated financial statements.

Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Other Information included in the Group's 2019 Annual Report
Other information consists of the information included in the Group's 2019 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2019 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2019 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process

Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young

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

Riyadh: 1 Rajab 1441H
(25 February 2020)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 SR	2018 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	135,680,579	139,789,605
Trade receivables	6	141,276,119	104,053,300
Due from related parties	7	4,994,909	22,250,094
Prepayments and other current assets	8	51,138,846	23,410,446
Inventories	9	23,059,545	22,829,074
TOTAL CURRENT ASSETS		**356,149,998**	**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	10	14,309,065	25,191,200
Right of use assets	11	298,143,110	-
Advance for rent - noncurrent portion	8	40,316,800	-
Property and equipment	12	2,492,482,172	1,894,297,557
Capital work in progress	13	319,425,744	685,421,245
TOTAL NON-CURRENT ASSETS		**3,171,676,891**	**2,611,910,002**
TOTAL ASSETS		**3,527,826,889**	**2,924,242,521**
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		58,377,275	16,398,327
Accrued expenses and other current liabilities	14	165,012,179	190,202,409
Due to related parties	7	38,160,305	39,445,341
Term loans - current portion	15	131,912,230	92,491,060
Dividend payable	22	47,230,659	47,074,234
Lease liabilities - current portion	16	21,347,688	
Provision for zakat	17	13,169,476	15,627,777
TOTAL CURRENT LIABILITIES		**475,209,812**	**401,239,148**

	Note	2019 SR	2018 SR
NON-CURRENT LIABILITIES			
Term loans - noncurrent portion	15	841,355,862	655,525,586
Employees' terminal benefits liabilities	18	59,564,582	56,480,888
Lease liabilities- noncurrent portion	16	359,948,110	-
TOTAL NON-CURRENT LIABILITIES		**1,260,868,554**	**712,006,474**
TOTAL LIABILITIES		**1,736,078,366**	**1,113,245,622**
EQUITY			
Share capital	19	1,000,000,000	1,000,000,000
Statutory reserve	20	500,000,000	500,000,000
Contractual reserve	21	143,002,490	143,002,490
Retained earnings		98,399,490	131,662,069
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,741,401,980**	**1,774,664,559**
Non-controlling interest		50,346,543	36,332,340
TOTAL EQUITY		**1,791,748,523**	**1,810,996,899**
TOTAL LIABILITIES AND EQUITY		**3,527,826,889**	**2,924,242,521**

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2019

	Note	2019 SR	2018 SR
Hospitality income	23	435,608,058	352,800,574
Rental income		111,605,597	95,872,309
Management fees income	23	6,632,471	5,389,534
TOTAL REVENUE		**553,846,126**	**454,062,417**
COST OF REVENUE	24	(434,669,236)	(345,981,459)
GROSS PROFIT		**119,176,890**	**108,080,958**
EXPENSES			
Selling and marketing		(1,713,680)	(1,056,191)
General and administration	25	(41,199,833)	(37,493,432)
TOTAL EXPENSES		**(42,913,513)**	**(38,549,623)**
OPERATING INCOME		**76,263,377**	**69,531,335**
Financial charges	15	(23,336,833)	(6,620,108)
Financial charges on lease liabilities	16	(15,947,631)	
Finance income		1,608,397	1,420,543
Other income, net	26	20,772,582	5,501,221
Share in net results of equity accounted investees	10	(1,342,430)	(1,083,275)
Additional charges for a legal liability	27	-	(7,353,987)
INCOME BEFORE ZAKAT		**58,017,462**	**61,395,729**
Zakat	17	(5,250,451)	(5,140,558)
NET INCOME FOR THE YEAR		**52,767,011**	**56,255,171**
Attributable to:			
Equity holders of the parent		53,003,675	57,462,355
Non-controlling interest		(236,664)	(1,207,184)
		52,767,011	**56,255,171**
Basic and diluted earnings per share attributable to equity holders of the parent	**28**	**0.53**	**0.57**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 SR	2018 SR
NET INCOME FOR THE YEAR		52,767,011	56,255,171
OTHER COMPREHENSIVE INCOME			
Items that will not to be reclassified to consolidated statement of income:			
Actuarial loss on re-measurement of employees' terminal benefits liabilities	18	(1,803,821)	(6,247,982)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**50,963,190**	**50,007,189**
Attributable to:			
Equity holders of the parent		50,977,253	50,665,062
Non-controlling interest		(14,063)	(657,873)
		50,963,190	**50,007,189**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Note	Share capital SR	Statutory reserve SR	Contractual reserves SR	Retained earnings SR	Total SR	Non-controlling interest SR	Total equity SR
For the year ended 31 December 2019								
At the beginning of the year		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	2-4	-	-	-	(59,239,832)	(59,239,832)	-	(59,239,832)
Restated balance at the beginning of the year		**1,000,000,000**	**500,000,000**	**143,002,490**	**72,422,237**	**1,715,424,727**	**36,332,340**	**1,751,757,067**
Net income for the year		-	-	-	53,003,675	53,003,675	(236,664)	52,767,011
Other comprehensive loss for the year		-	-	-	(2,026,422)	(2,026,422)	222,601	(1,803,821)
Total comprehensive income for the year		**-**	**-**	**-**	**50,977,253**	**50,977,253**	**(14,063)**	**50,963,190**
Dividends	22	-	-	-	(25,000,000)	(25,000,000)	-	(25,000,000)
Acquisition of a subsidiary (Note 1)		-	-	-	-	-	14,028,266	14,028,266
At the end of the year		**1,000,000,000**	**500,000,000**	**143,002,490**	**98,399,490**	**1,741,401,980**	**50,346,543**	**1,791,748,523**
For the year ended 31 December 2018								
At the beginning of the year		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 year		**1,000,000,000**	**500,000,000**	**143,002,490**	**135,997,007**	**1,778,999,497**	**36,990,213**	**1,815,989,710**
Net income for the year		-	-	-	57,462,355	57,462,355	(1,207,184)	56,255,171
Other comprehensive loss for the year		-	-	-	(6,797,293)	(6,797,293)	549,311	(6,247,982)
Total comprehensive income for the year		**-**	**-**	**-**	**50,665,062**	**50,665,062**	**(657,873)**	**50,007,189**
Dividends	22	-	-	-	(55.000.000)	(55.000.000)	-	(55,000,000)
At the end of the year		**1,000,000,000**	**500,000,000**	**143,002,490**	**131,662,069**	**1,774,664,559**	**36,332,340**	**1,810,996,899**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	2019 SR	2018 SR
OPERATING ACTIVITIES			
Income before zakat		58,017,462	61,395,729
Adjustments for:			
Depreciation of property and equipment	12	75,563,594	67,412,889
Depreciation of right of use assets	11	16,870,709	-
Provision for trade receivable expected credit loss, net		(206,251)	(203,466)
Provision of slow moving inventory	9	1,136,700	1,172,378
Share in net results of equity accounted investees	10	1,342,430	1,083,275
Loss on sale of investment in equity accounted investees	10	(489,185)	-
Gain on sale of property and equipment		(25,434)	-
Employees' terminal benefits provision	18	10,377,770	7,666,415
		162,587,795	**138,527,220**
Changes in operating assets and liabilities:			
Trade receivables		(37,016,568)	(19,536,442)
Prepayments and other current assets		(27,728,400)	(3,545,778)
Advance for rent		(40,316,800)	-
Inventories		(1,367,171)	(203,012)
Due from related parties		17,255,185	(492,342)
Trade payables		41,978,948	(18,246,469)
Accrued expenses and other current liabilities		(1,622,832)	37,215,623
Due to related parties		(1,285,036)	22,759,193
Cash from operations		**112,485,121**	**156,477,993**
Zakat paid	17	(7,587,475)	(4,630,643)
Employee benefits paid	18	(9,097,897)	(11,616,445)
Net cash from operating activities		**95,799,749**	**140,230,905**

	Note	2019 SR	2018 SR
INVESTING ACTIVITIES			
Additions to property and equipment	12	(24,286,039)	(22,602,134)
Additions to capital work in progress	13	(237,919,616)	(354,662,995)
Investment in a subsidiary	1	(37,980,000)	-
Proceeds from sale of property and equipment		25,434	-
Dividends from investment		-	350,000
Net cash used in investing activities		**(300,160,221)**	**(376,915,129)**
FINANCING ACTIVITIES			
Proceeds from term loans, net		225,251,446	278,266,932
Dividends for shareholders	22	(25,000,000)	(55,000,000)
Net cash from financing activities		**200,251,446**	**223,266,932**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,109,026)**	**(13,417,292)**
Cash and cash equivalents at the beginning of the year		139,789,605	153.206.897
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**135,680,579**	**139,789,605**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 land. 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 consolidated financial statements:

	Share Capital	Direct and indirect Ownership %	
Subsidiary	SR	31 December 2019	31 December 2018
Makkah Hotels Company Limited	165,600,000	99.44%	99.44%
Saudi Hotel Services Company	70,000,000	70%	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	98.73%	98.73%
Nuzul Shada Hospitality Company (1)	40,000,000	60%	-
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 consolidated financial statements.

(1) On 13 March 2019, the Group acquired a new subsidiary (Nuzul Shada Hospitality Company), a limited liability company registered in the Kingdom of Saudi Arabia that operates in the field of operating of furnished apartments and has been consolidated in the group’s consolidated financial statements. The assets, liabilities and results of the subsidiary’s business are not material to the group.

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 KSA. The Company owns Makarem Ajyad 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.

Nuzul Shada Hospitaltiy Company

Nuzul Shada Hospitality Company is a Saudi limited liability company and is registered under the Commercial Registration number 4030166369 dated 8 Muharram 1428H (corresponding to 27 January 2007). The company is engaged in general construction of residential buildings, management and leasing of owned and leased real estate (residential), and management and leasing of real estate owned or leased (non-residential).

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 KSA 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (referred to thereafter as "IFRS as endorsed in KSA").

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

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

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When a Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary is measured at fair value when control is lost..

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing these consolidated financial statements:

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date, fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the general and administration expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held), over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Investment in equity accounted investees

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

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

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

The consolidated statement of income reflects the Group's share of the results of operations of the investees. Any change in consolidated statement of other comprehensive income of those investees is presented as part of the Group's consolidated statement of other comprehensive income. In addition, when there has been a change recognised directly in the equity of the investees, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the investees are eliminated to the extent of the interest in those investees.

The aggregate of the Group's share of profit or loss of an investee is shown separately on the face of the consolidated statement of income.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its investees. At each reporting date, the Group determines whether there is any objective evidence that the investment in the investee is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value and recognises the loss as part of 'Share in net results of equity accounted investees' in the consolidated statement of income.

Revenue

Revenue from contracts with customers

The Group provides hospitality services and property management to its customers. Revenue from contracts from customers are recognized when the control over the goods and services are transferred to the customer in an amount that reflects the compensation earned by the Group for those goods and services. The Group has concluded that it acts as a principal for all its revenue arrangements except for property management as usually it control the goods and services before they are transferred to the customer.

Hospitality services

Primarily derived from hotel operations, including the rental of rooms and food and beverage sales at the point in time when goods are provided to customers. Revenue from rooms occupancy is recognized over time.

Properties management fees

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

Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyal, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of income reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Translation of group companies

Financial statements of the foreign operation are translated into Saudi Riyal using the exchange rate at each consolidated statement of financial position date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Defined employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Retirement benefit in the form of General Organization of Social Insurance ('GOSI') is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognises contribution payable to the GOSI as an expense when due.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognised and reported within other reserves under the consolidated statement of changes in equity with corresponding debit or credit to consolidated statement of other comprehensive income that comprises of actuarial gains and losses on the defined benefits obligation.

Zakat

The Company and its subsidiaries are subject to Zakat in accordance with the zakat regulation issued by the General Authority of Zakat and Tax ("GAZT") in the KSA, which is also subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakatable profit or based on net equity using the basis defined in the zakat regulation (the Zakat base). The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. Zakat provision is charged to the consolidated statement of income. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalised.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost of inventory includes purchase price plus all incurred expenditures in order to bring the inventory to its existing location and condition. Net realisable value comprises estimated selling price in the ordinary form of business, less selling expenses. A provision for obsolete, slow moving and defective inventories is made, when necessary.

Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property and equipment is recognised in the consolidated statement of income.

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

Subsequent expenditure

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

Depreciation

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

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate..

Capital work-in-progress

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

Financial instruments

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Trade receivable

For trade receivables hat do not contain a significant financing component, the Group applied a practical expedient. Accordingly, trade receivable are measured using the transaction price as described by IFRS 15. Refer to accounting policies for contracts with customers.

Financial assets designated at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of income. Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in consolidated statement of comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

The Group does not have any financial assets held at fair value through other comprehensive income (debt instruments) and at fair value through profit or loss.

Derecognition

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

- The rights to receive cash flows from the asset have expired.
- •The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  A) the Group has transferred substantially all the risks and rewards of the asset, or

  B) (b)the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Refer to the accounting policies in note 2.4 for ECL policy.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include term loans, accounts payable and due to related parties.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash, bank balances and deposits with original maturities of three months or less. Bank overdraft is classified as current liabilities.

Impairment of Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

For assets excluding goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised..

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Leases

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

Group as a lessee

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

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

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

Rental income

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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

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

Dividend

The Group recognises a liability to make cash or non-cash distributions to shareholders of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. Final dividends are recognised as a liability at the time or at the period of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors. A corresponding amount is recognised directly in the consolidated statement of changes in equity.

Segment reporting

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

2.4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group applies, for the first time IFRS16 (Leases). As required by IAS 34, the nature and effect of these changes are disclosed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the 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.

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 it’s 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 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:

C) Increasing the carrying amount to reflect incremental financing rate on the lease liability;

D) Reducing the carrying amount to reflect the lease payments made; and

E) 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 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.

2.5 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 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 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 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.

Expected credit loss 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. During the year there was no change in the productive ages.

4. OPERATING SEGMENTS

The Group has the following 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 comprises 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 two years ended 31 December:

2019

SR	Hospitality	Property Management	Property Rental	Others	Elimination	Total
Revenue from external customer	435,608,058	6,632,471	111,605,597	-	-	553,846,126
Inter-segment revenue	9,409,093	8,375,346	10,539,069	-	(28,323,508)	-
Cost of revenue	(393,260,920)	(5,079,669)	(36,328,647)	-	-	(434,669,236)
Gross profit	42,347,138	1,552,802	75,276,950	-	-	119,176,890
Depreciation of property and equipment and right of use assets	71,848,787	-	16,333,290	3,329,148	-	91,511,225
Property and equipment	917,880,564	-	1,484,706,717	89,894,891	-	2,492,482,172
Right of use assets	278,550,437	-	19,592,673	-	-	298,143,110
Capital work in progress	214,027,363	-	105,398,381	-	-	319,425,744
Total assets	1,918,433,211	-	1,519,498,787	89,894,891	-	3,527,826,889
Total liabilities	475,217,821	-	1,260,860,545	-	-	1,736,078,366

2018

SR	Hospitality	Property Management	Property Rental	Others	Elimination	Total
Revenue from external customer	352,800,574	5,389,534	95,872,309	-	-	454,062,417
Inter-segment revenue	1,731,846	20,277,930	6,436,378	-	(28,446,154)	-
Cost of revenue	(301,111,715)	(5,158,809)	(39,710,935)	-	-	(345,981,459)
Gross profit	51,688,859	230,725	56,161,374	-	-	108,080,958
Depreciation	49,532,959	-	13,855,235	4,024,695	-	67,412,889
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
Total assets	1,703,745,900	-	1,124,518,092	95,978,529	-	2,924,242,521
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 two years ended 31 December:

	2019 SR	2018 SR
Gross profit of operating segments	119,176,890	108,080,958
Un-allocated amount:		
Other income	20,772,582	5,501,221
Selling and marketing expenses	(1,713,680)	(1,056,191)
General and administration expenses	(41,199,833)	(37,493,432)
Additional charges for a legal liability	-	(7,353,987)
Finance income	1,608,397	1,420,543
Financial charges on lease liability	(15,947,631)	-
Financial charges	(23,336,833)	(6,620,108)
Share in net results of equity accounted investees	(1,342,430)	(1,083,275)
Total un-allocated amount	**(61,159,428)**	**(46,685,229)**
Income before zakat	**58,017,462**	**61,395,729**

5. CASH AND CASH EQUIVALENTS

	2019 SR	2018 SR
Short term deposits*	89,623,800	113,300,004
Bank balances	45,287,480	25,926,151
Cash on hand	769,299	563,450
	135,680,579	**139,789,605**

*Short term deposits represent Murabaha deposits with commercial banks and the maturity average of those deposits ranges between 30 to 90 days.

6. TRADE RECEIVABLES

	2019 SR	2018 SR
Trade receivables	161,320,252	130,343,530
Provision for expected credit loss	(20,044,133)	(26,290,230)
	141,276,119	**104,053,300**

Movement in provision for expected credit loss for the two years ended 31 December:

	2019 SR	2018 SR
At the beginning of the year	26,290,230	17,251,813
Charge for the year (note 25)	(206,251)	1,684,780
Recovered during the year	(2,461,639)	(1,888,247)
Bad debts written off during the year	(3,578,207)	-
Impact of adopting IFRS 9 at 1 January 2018	-	9,241,884
At the end of the year	**20,044,133**	**26,290,230**

Aging analysis of trade receivables

Following is the provision criteria used for expected credit loss for trade receivables as of 31 December:

	Total SR	1-60 days SR	61-90 days SR	91-365 days SR	1-2 years SR	2-3 years SR	>3 years SR
Provision for expected credit loss							
2019	20,044,133	-	313,285	1,343,577	3,107,647	1,297,999	13,981,625
2018	26,290,230	480,749	1,287,366	2,185,985	5,133,360	2,811,502	14,391,268
Trade receivables							
2019	161,320,252	75,188,181	19,555,196	20,622,713	18,620,075	2,604,918	24,729,169
2018	130,343,530	29,027,836	17,058,830	25,369,410	17,550,040	7,010,981	34,326,433

7. 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

			Amount of transactions for the two years ended 31 December		Balance	
			2019	2018	2019	2018
Related Party	Relation	Nature of transaction	SR	SR	SR	SR
Al-Maather Compound	Affiliate	Management fees income	85,540	-	1,319,543	-
Um Al qura Hotel	Affiliate	Management fees income	777,917	712,824	928,775	508,673
AL Yasmin Compound	Affiliate	Management fees income	507,326	490,929	1,047,797	876,559
Makarim Al Bait Hotel	Affiliate	Management fees income	362,748	416,934	532,125	1,381,480
Makarem Al Ma'arifa Hospitality Company	Associate	Technical fees income	-	463,521		18,365,582
Others	Affiliates	Technical fees income	1,319,216	1,703,830	1,166,669	1,117,800
					4,994,909	**22,250,094**

B) Due to related parties

			Amount of transactions for the two years ended 31 December		Balance	
			2019	2018	2019	2018
Related Party	Relation	Nature of transaction	SR	SR	SR	SR
Al Jazira and Dawudia Compounds	Affiliate	Management fees income	479,069	-	18,460,369	18,957,438
Al Madinah Hotels Company limited	Associate	Management fees income	-	-	14,651,496	14,651,496
Al Rawda Residence Compound	Affiliate	Management fees income	296,617	308,805	2,636,782	2,656,756
Makarem Mena Hotel	Affiliate	Management fees income	229,367	492,377	1,169,043	1,759,008
Al Andalus Residence Compound	Affiliate	Management fees income	217,147	695,995	1,006,709	775,912
Others	Affiliates	Management fees	287,261	532,506	235,906	644,731
					38,160,305	**39,445,341**

Transactions with key management personnel:

	مبلغ المعاملة للسنتين المنتهيتين في 31 ديسمبر	
	2019	2018
	SR	SR
Salaries, bonuses and end of service of the Group's key management persons	4,300,183	6,065,138

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 consolidated financial position date. There have been no guarantees provided or received for any related party receivables or payables. For the two years ended 31 December 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.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	2019	2018
	SR	SR
Advance for rent *	17,680,000	-
Other receivables	9,027,840	4,398,209
Advances for real estate projects	5,383,841	5,383,841
Advances to suppliers	5,301,984	1,245,649
Staff advances	4,474,657	4,021,946
Prepaid insurance	3,751,514	3,793,302
Others	5,519,010	4,567,499
	51,138,846	**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 40.3 million have been classified under non-current assets.

9. INVENTORIES

	2019	2018
	SR	SR
Linens and furnishings	5,583,151	5,402,450
Spare parts	4,671,489	3,415,408
Food and beverages	4,278,953	2,545,878
Accessories and silverware	3,718,950	3,780,442
Operation supplies	2,403,355	4,573,630
Kitchen tools and equipment	2,010,744	2,387,860
Stationery and prints	392,903	738,316
	23,059,545	**22,843,984**
Less: provision for slow moving inventories	-	(14,910)
	23,059,545	**22,829,074**

Movement in provision for slow moving inventories for the two years ended 31 December:

	2019	2018
	SR	SR
At the beginning of the year	14,910	11,909
Charge for the year (note 24)	1,136,700	1,172,378
Inventory written off during the year	(1,151,610)	(1,169,377)
At the end of the year	**-**	**14,910**

10. 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 consolidated financial statements.

	Ownership 2019 %	Ownership 2018 %	2019 SR	2018 SR
Equity accounted investees				
Saudi Company for Heritage Hospitality	25	25	10,166,775	11,509,205
Makarem Al Maarefah Hospitality Company	-	50	-	9,539,705
Al Madinah Hotels Company Limited	50	50	4,142,290	4,142,290
			14,309,065	**25,191,200**

Movement in the investment in equity accounted investees for the two years ended 31 December:

	2019 SR	2018 SR
At the beginning of the year	25,191,200	26,274,475
Share in net results	(1,342,430)	(1,083,275)
Disposal of investment in equity accounted investees*	(9,539,705)	-
At the end of the year	**14,309,065**	**25,191,200**

*During the year ended 31 December 2019, the Group sold its investment in Makarem Al Maarefah Hospitality Company, which resulted in a loss of SAR 489,185.

11. 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.

	Lands SR	Buildings SR	Total SR
Cost::			
At the beginning of the period	51,342,270	252,397,365	303,739,635
Related to the acquisition of a subsidiary (note 1)	-	11,274,184	11,274,184
	51,342,270	**263,671,549**	**315,013,819**
Depreciation:			
Charged for the year	(1,290,192)	(15,580,517)	(16,870,709)
Net book values:			
As at 31 December 2019	**50,052,078**	**248,091,032**	**298,143,110**

There were no leases with residual value guarantees to which the Group is committed.

12. 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	Buildings	Building improvements	Furniture	Motor vehicles	Devices and equipment	Elevators and central air conditioning	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost:								
At the beginning of the year	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
Related to the acquisition of a subsidiary (note 1)	13,751,200	34,094,612	-	2,293,891	246,005	1,723,610	-	52,109,318
Additions	-	-	2,899,730	593,348	246,533	15,576,762	4,969,666	24,286,039
Disposals	-	(398,483)	-	(487,530)	(1,536,236)	(24,794)	(669,771)	(3,116,814)
Transfer from capital work in progress (note 13)	-	460,591,741	26,862,172	54,181,409	-	22,400,173	39,879,622	603,915,117
At the end of the year	**738,422,519**	**1,940,405,492**	**121,035,645**	**345,570,237**	**7,291,889**	**120,482,739**	**107,291,738**	**3,380,500,259**
Depreciation								
At the beginning of the year	-	459,362,398	75,549,430	203,661,472	7,954,318	32,448,425	30,032,999	809,009,042
Related to the acquisition of a subsidiary (note 1)	-	2,904,427	-	1,579,233	183,626	1,490,068	-	6,157,354
Charge for the year	-	32,981,543	6,336,769	18,775,747	181,502	13,829,428	3,458,605	75,563,594
Disposals	-	-	-	(487,503)	(1,536,236)	(18,429)	(669,735)	(2,711,903)
At the end of the year	**-**	**495,248,368**	**81,886,199**	**223,528,949**	**6,783,210**	**47,749,492**	**32,821,869**	**888,018,087**
Net book values:								
As at 31 December 2019	**738,422,519**	**1,445,157,124**	**39,149,446**	**122,041,288**	**508,679**	**72,733,247**	**74,469,869**	**2,492,482,172**

	Lands	Buildings	Building improvements	Furniture	Motor vehicles	Devices and equipment	Elevators and central air conditioning	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost:								
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 13)	-	44,524,625	-	368,541	-	7,904,313	-	52,797,479
At the end of the year	**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**
Depreciation:								
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	**-**	**459,362,398**	**75,549,430**	**203,661,472**	**7,954,318**	**32,448,425**	**30,032,999**	**809,009,042**
Net book values:								
As at 31 December 2018	**724,671,319**	**986,755,224**	**15,724,313**	**85,327,647**	**381,269**	**42,817,229**	**38,620,556**	**1,894,297,557**

The depreciation charge has been allocated in the consolidated statement of income for the two years ended 31 December as follows:

	2019	2018
	SR	SR
Cost of revenue (note 24)	71,575,059	63,388,194
General and administration expenses (note 25)	3,988,535	4,024,695
	75,563,594	**67,412,889**

13. CAPITAL WORK IN PROGRESS

The projects under construction mainly represent the cost of new hotels and the refurbishment of existing hotels in addition to other projects.

Movement in capital work in progress for the two years ended 31 December:

	2019	2018
	SR	SR
At the beginning of the year	685,421,245	383,555,729
Additions during the year	237,919,616	354,662,995
Transfers to property and equipment (note 12) *	(603,915,117)	(52,797,479)
At the end of the year	**319,425,744**	**685,421,245**

*Transfers into property and equipment represent the cost of construction of Marriott Diplomatic Quarter Hotel building, and the renovation of the Marriott Airport Hotel building, and the fifth stage of the Darraq residential complex.

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2019 was SR 12.2 million (year ended 31 December 2018: SR 14.3 million). The rate used to determine the amount of borrowing costs eligible for capalisation is the interest rate of the weighted average borrowings

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2019	2018
	SR	SR
Revenue received in advance	70,187,209	57,523,713
Payable retentions	27,075,913	30,583,463
Payable to contractors	20,139,881	35,497,113
Accrued staff benefits	20,038,664	22,807,868
Accrued services expenses	7,505,245	3,005,953
Accrued management fees	1,598,987	910,533
Accrued marketing expenses	1,529,998	286,715
Accrued rentals (notes 11 and 16)	-	26,023,727
Others	16,936,282	13,563,324
	165,012,179	**190,202,409**

15. TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total value of SR 973.2 million (2018: SR 748.1 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 approximate their carrying amounts.

16. LEASE LIABILITIES

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

	2019	2018
	SR	SR
Maturity analysis - contractual undiscounted cash flows		
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	-
Total undiscounted lease liabilities	**624,564,293**	**-**

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

	2019	2018
	SR	SR
Lease liabilities included in the consolidated statement of financial position		
Current portion of lease liabilities	21,347,688	-
Non-current portion of lease liabilities	359,948,110	-
	381,295,798	**-**

17. 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 consolidated statement of income for the Group.

The Group has finalised its Zakat status with the General Authority of Zakat and Tax ("the GAZT") for all years up to and including 31 December 2009, the Group 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 Group is still waiting to get the final assessments from the GAZT.

Movement in provision for zakat for the two years ended 31 December:

	2019	2018
	SR	SR
At the beginning of the year	15,627,777	15.117.862
Related to the acquisition of a subsidiary (note 1)	486,962	-
Provided during the year	5,250,451	5,140,558
Refund during the year	(608,239)	-
Payments made during the year	(7,587,475)	(4,630,643)
At the end of the year	**13,169,476**	**15,627,777**

18. EMPLOYEES' TERMINAL BENEFITS LIABILITIES

General description

General description of the type of employees' terminal benefits liabilities plan and accounting policy for recognising actuarial gains and losses is disclosed in note 2.3 to the consolidated financial statements.

Principal actuarial assumptions

	2019	2018
Salary increase rate	2.9%	4.4%
Discount rate	2.9%	4.3%
Number of employees covered under terminal benefits plan	1468	1,371

The actuarial valuation was conducted using Projected Unit Credit method.

Employee benefit expense for the two years ended 31 December:

	2019	2018
	SR	SR
Current service cost	9,639,070	6,202,516
Interest cost on employees' terminal benefit liabilities	692,043	1,463,899
Total benefit expense	**10,331,113**	**7,666,415**

Movement of present value of employees' terminal benefits liabilities for the two years ended 31 December:

	2019	2018
	SR	SR
Opening present value of employees' terminal benefits liabilities	56,480,888	54.182.936
Total employees' terminal benefit expense	10,377,770	7,666,415
Employees' terminal benefits paid	(9,097,897)	(11,616,445)
Actuarial loss on employees' terminal benefit liabilities	1,803,821	6,247,982
Closing present value of employees' terminal benefits liabilities	**59,564,582**	**56,480,888**

Employees' terminal benefits liabilities sensitivity analysis

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as at 31 December is shown below:

	Salary rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
Assumptions Sensitivity level	SR	SR	SR	SR
2019	63,712,350	58,633,177	58,739,517	63,633,196
2018	58,840,213	54,265,395	54,360,180	58,760,094

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employee defined benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19. SHARE CAPITAL

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

20. STATUTORY RESERVE

In accordance with the Company's bylaws, the Company is required to transfer 10% of its annual net income to a statutory reserve until the reserve equals to 30% of the paid share capital. Statutory reserve balance reached 50% of the share capital due to transfers in the prior years and the Company decided to discontinue such transfers. This reserve is not available for distribution.

21. CONTRACTUAL RESERVE

In accordance with the Company's By-law, the Company allocates 5% of its annual net income to a contractual reserve. Due to transfers in prior years, the Company has decided to discontinue such transfer.

22. 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. 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 which was approved by the General Assembly at its meeting 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. This was approved by General Assembly in its meeting held on 29 March 2018.

Current liabilities include the balance of dividends payable amounting to SR 47.2 million (2018: Saudi Riyals 47.1 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the consolidated statement of financial position.

SUBSEQUENT EVENTS

On 18 February 2020, The Board of Directors approved the distribution of cash dividend of SR 50 million (SR 0.5 per share) for the year ended 31 December 2019 which will be subject to the of the next General Assembly approval in its upcoming meeting

23. REVENUE FROM CONTRACT WITH CUSTOMERS

The following is the disaggregation of the Group's revenue from contracts with customers for the two years ended 31 December:

	Hospitality	Property Management	Total
2019	**SR**	**SR**	**SR**
Type of goods or service			
Rooms	282,159,243	-	282,159,243
Food and beverage	130,093,527	-	130,093,527
Other hotel revenues	23,355,288	-	21,583,326
Management fee	-	6,632,471	6,632,471
Total revenue from contracts with customers	**435,608,058**	**6,632,471**	**442,240,529**
Timing of revenue recognition			
Services transferred over time	305,514,531	6,632,471	312,147,002
Goods transferred at a point in time	130,093,527	-	130,093,527
Total revenue from contracts with customers	**435,608,058**	**6,632,471**	**442,240,529**

	الضيافة	إدارة العقارات	الإجمالي
2018	**SR**	**SR**	**SR**
Type of goods or service			
Rooms	222,948,733	-	222,948,733
Food and beverage	115,655,268	-	115,655,268
Other hotel revenues	14,196,573	-	14,196,573
Management fee	-	5,389,534	5,389,534
Total revenue from contracts with customers	**352,800,574**	**5,389,534**	**358,190,108**
Timing of revenue recognition			
Services transferred over time	237,145,306	5,389,534	242,534,840
Goods transferred at a point in time	115,655,268	-	115,655,268
Total revenue from contracts with customers	**352,800,574**	**5,389,534**	**358,190,108**

24. COST OF REVENUE

	2019	2018
	SR	**SR**
Salaries and other related expenses	179,978,231	146,043,129
Depreciation of property and equipments and right of use assets (notes 11 and 12)	88,445,768	63,388,194
Food and beverage	38,836,081	32,842,131
Operation requirements	35,574,495	23,343,443
Utilities	25,332,276	20,859,766
Advertising and promotion activities	19,803,850	12,479,810
Service and operation fees	12,086,484	10,072,937
Repair and maintenance	11,955,319	8,269,172
Preopening expense	10,749,264	-
Commission for travelling agency and credit card	6,111,655	4,742,482
Provision for slow moving inventories (note 9)	1,136,700	1,172,378
Security	570,306	1,154,483
Rentals (notes 11 and 16)	-	17,932,607
Other	4,088,807	3,680,927
	434,669,236	**345,981,459**

25. GENERAL AND ADMINISTRATION EXPENSES

	2019	2018
	SR	**SR**
Salaries and other related expenses	24,287,981	19,297,325
Depreciation (note 12)	3,988,535	4,024,695
Board of director remuneration	3,179,000	2,350,000
Professional fee	2,879,086	2,470,313
Subscription	2,299,829	2,818,892
Hospitality	1,743,581	1,901,930
Training	652,525	1,039,238
Electricity, water, and telecommunication	600,372	489,959
Recruitment expenses	506,545	424,536
Insurance	420,605	501,559
Maintenance	408,328	237,122
Entertainment expenses	185,200	120,000
Provision for expected credit loss (note 6)	(206,251)	1,684,780
Other	254,497	133,083
	41,199,833	**37,493,432**

26. OTHER INCOME, NET

	2019 SR	2018 SR
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 old liabilities	4,100,000	-
Others, net	2,887,360	3,779,430
	20,772,582	**5,501,221**

27. COMMITMENTS AND CONTINGENCIES

Capital commitments

During the year ended 31 December 2019, the Group has entered into capital commitments of SR 98.2 million (2018: SR 129 million) related to its capital work in progress.

Contingencies

As at 31 December 2019, the Group had issued letters of guarantee amounting to SR 30.2 million (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, based on the advice of the legal counsel.

Further, the Group was involved in legal proceedings against a lessor ("the lessor") due to increasing rental charges for a property that was leased by the Group for the period from 2009 to 2014 ("the period"). On 28 November 2018, the court issued its final non-appealable ruling and ordered the Group to pay an amount of SR 14.3 million for leasing the property during the above mentioned period. The Group made a provision of SR 6.9 million in previous years for this legal case contingencies. Pursuant the court final ruling issued during the current year, the Group charged an amount of SR 7.4 million to the consolidated statement of income as an additional charge for this legal case

Operating leases commitment

Group as lessee

The commitments of the lease contracts in which the group is a lessee are shown in note 16

Group as lessor

The Group has entered into commercial leases. These non-cancellable leases have remaining terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Following is the future minimum rentals receivable under non-cancellable operating leases as of 31 December:

	2019 SR	2018 SR
Within one year	25,799,851	24,408,710
More than one year but less than five years	64,538,560	70,095,446
More than five years	86,245,825	94,000,000
	176,584,236	**188,504,156**

28. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year are calculated by dividing net income for the year by the weighted average number of issued and outstanding shares of 100 million during the two years ended 31 December 2019 and 2018.

29. CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as term loans, trade payables and due to related parties (as shown in the consolidated statement of financial position) less cash and cash equivalents.

Equity comprises all components of equity.

The Group's net debt to equity ratio at 31 December was as follows:

	2019 SR	2018 SR
Term loans	973,268,092	748,016,646
Trade payable	58,377,275	16,398,327
Due to related parties	38,160,305	39,445,341
	1,069,805,672	**803,860,314**
Less: cash and cash equivalents	(135,680,579)	(139,789,605)
Net debt	**934,125,093**	**664,070,709**
Total equity	1,791,748,523	1,810,996,899
Net debt to equity ratio	**52%**	**37%**

30. FINANCIAL INSTRUMENTS

Financial instruments risk management objectives and policies

The Group is subjected to various financial risks due to its activities including: Market risk (including currency risk, fair value and cash flows of interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Senior management is responsible for risk management. Financial instruments carried on the consolidated statement of financial position include bank balances, short term deposits, investments, trade receivable, due from/to related parties, term loans, and trade payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial asset and liability is offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar.

The management closely and continuously monitors the exchange rate fluctuations.

Interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risk associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's exposure to interest rate risk primarily to the Group's borrowings. The Group manage its financing through optimising available cash and minimising borrowings.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables, cash and cash equivalent and due from related parties as of 31 December:

	2019	2018
	SR	SR
Bank balances and short term deposits	135,680,579	139,226,155
Trade receivables	141,276,119	104,053,300
Due from related parties	4,994,909	22,250,094
	281,951,607	**265,529,549**

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer assessed based on an extensive credit rating scorecard and individual credit limits defined in accordance with this assessment.

The Group measures the trade receivable net of provision for expected credit loss. For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (see note 6).

As at 31 December 2019, more than 22% (2018: 36%) of the Group's customers are corporate, and an expected credit loss has been recognised against these customers amounted to SR 3.3 million (2018: SR 3.4 million).

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or corporate, their geographic location, industry, trade history with the Group and existence of previous financial difficulties.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at 31 December:

	3 to 12 months	1 to 5 years	Total
2019	SR	SR	SR
Term loans	131,912,230	841,355,862	973,268,092
Trade payables	58,377,275	-	58,377,275
Due to related parties	38,160,305	-	38,160,305
	228,449,810	**841,355,862**	**1,069,805,672**

	3 to 12 months	1 to 5 years	Total
2018	SR	SR	SR
Term loans	92,491,060	655,525,586	748,016,646
Trade payables	16,398,327	-	16,398,327
Due to related parties	39,445,341	-	39,445,341
	148,334,728	**655,525,586**	**803,860,314**

31. FAIR VALUE MEASUREMENT 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 bank balances, short term deposits, investments, trade receivables and due from related parties.

Its financial liabilities consist of term loans, trade payables and due to related parties.

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

Financial Assets

	2019 SR	2018 SR
Financial assets classified as available for sale		
Investment at FVOCI	7,000,000	7,000,000
Financial assets carried at amortised cost		
Trade receivables	141,276,119	104,053,300
Due from related parties	4,994,909	22,250,094
Total financial assets carried at amortised cost	**146,271,028**	**126,303,394**
Total financial assets	**153,271,028**	**133,303,394**
Total current financial assets	146,271,028	126,303,394
Total non-current financial assets	7,000,000	7,000,000
	153,271,028	**133,303,394**

Financial liabilities

	2019 SR	2018 SR
Financial liabilities carried at amortised cost		
Trade payables	58,377,275	16,398,327
Term loans	973,268,092	748,016,646
Due to related parties	38,160,305	39,445,341
Total financial liabilities carried at amortised cost	**1,069,805,672**	**803,860,314**
Total current financial liabilities	228,449,810	148,334,728
Total non-current financial liabilities	841,355,862	655,525,586
	1,069,805,672	**803,860,314**

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

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 24 Jumad Thani 1441H (corresponding to 18 February 2020).

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