

**Dur Hospitality Company**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)**

**31 March 2022**

Dur Hospitality Company  
(A Saudi Joint Stock Company)

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
For the period ended 31 March 2022

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Dur Hospitality Company  
(A Saudi Joint Stock Company)

### Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Dur Hospitality Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2022, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review:

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

### Basis for Qualified Conclusion:

As stated in note (22.C) to the interim condensed consolidated financial statements, the Company is disputing the validity of two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Company filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for the Resolution of Securities Disputes ("the CRSD"). On 14 February 2022, the CRSD has issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations. On 10 March 2022, The Company filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. The new lawsuit is still at preliminary stage at the Committee of Banking and Financial Disputes and Violations and the potential outcome cannot be reasonably estimated at this stage. Had these agreements been accounted for in the interim condensed consolidated financial statements, the net income for the three month period ended 31 March 2022 would be higher by SR 19.5 million (three month period ended 31 March 2021: net income would be higher by SR 8.8 million), the net equity as of 31 March 2022 would be lower by SR 47.1 million (the net equity as of 31 December 2021 and 1 January 2021: would be lower by SR 66.7 million and SR 83.1 million, respectively). Our opinion on the prior period review report has been qualified on the same matter.

### Qualified Conclusion:

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

for Ernst & Young Professional Services

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

Riyadh: 21 Shawwal 1443H  
(22 May 2022)



Dur Hospitality Company  
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 March 2022

	Note	31 March 2022 (Unaudited) SR	31 December 2021 (Audited) SR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	94,903,145	91,647,932
Trade receivables	6	170,040,355	145,241,390
Prepayment and other current assets	7	97,911,440	95,102,175
Inventories		19,104,790	17,105,511
<b>TOTAL CURRENT ASSETS</b>		<b>381,959,730</b>	<b>349,097,008</b>
<b>NON-CURRENT ASSETS</b>			
Investments at fair value through other comprehensive income (FVOCI)		2,101,657	2,101,657
Investments in equity accounted investees		17,422,653	17,422,653
Right of use assets	8	225,889,357	229,561,108
Property and equipment	9	2,692,334,793	2,711,490,174
Projects under construction	10	122,608,197	95,507,055
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,060,356,657</b>	<b>3,056,082,647</b>
<b>TOTAL ASSETS</b>		<b>3,442,316,387</b>	<b>3,405,179,655</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Term loans – current portion	12	328,131,191	271,761,088
Lease liabilities - current portion	13	49,116,635	43,343,159
Trade payable		39,135,372	41,327,895
Accrued expenses and other current liabilities	11	170,211,550	161,588,296
Due to related parties		36,794,923	37,158,747
Dividends payable	16	43,822,003	43,939,294
Provision for zakat	14	16,004,253	13,662,198
<b>TOTAL CURRENT LIABILITIES</b>		<b>683,215,927</b>	<b>612,780,677</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans – non-current portion	12	701,117,306	745,510,575
Lease liabilities – non-current portion	13	300,172,817	302,309,776
Employees' terminal benefits liabilities		61,714,303	61,597,789
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,063,004,426</b>	<b>1,109,418,140</b>
<b>TOTAL LIABILITIES</b>		<b>1,746,220,353</b>	<b>1,722,198,817</b>
<b>EQUITY</b>			
Share capital	15	1,000,000,000	1,000,000,000
Statutory reserve		500,000,000	500,000,000
Retained earnings		141,290,095	128,491,258
Revaluation reserve of investment at fair value through OCI		(4,898,343)	(4,898,343)
<b>Total equity attributable to shareholders of the parent company</b>		<b>1,636,391,752</b>	<b>1,623,592,915</b>
Non-controlling interest		59,704,282	59,387,923
<b>TOTAL EQUITY</b>		<b>1,696,096,034</b>	<b>1,682,980,838</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,442,316,387</b>	<b>3,405,179,655</b>

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company  
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)

For the three-month period ended 31 March

		<i>For the three-month period ended 31 March</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>REVENUES</b>			
Hospitality income	17	113,854,786	69,690,734
Rental income	17	31,370,633	30,180,478
Management fees income	17	438,006	309,625
<b>TOTAL REVENUE</b>		<b>145,663,425</b>	<b>100,180,837</b>
Cost of revenue	18	(110,458,550)	(97,392,300)
<b>GROSS PROFIT</b>		<b>35,204,875</b>	<b>2,788,537</b>
<b>EXPENSES</b>			
Selling and marketing expenses		(391,954)	(294,028)
General and administrative expenses	19	(11,496,275)	(4,282,267)
<b>TOTAL EXPENSES</b>		<b>(11,888,229)</b>	<b>(4,576,295)</b>
<b>OPERATING INCOME / (LOSS)</b>		<b>23,316,646</b>	<b>(1,787,758)</b>
Financial charges		(6,798,379)	(5,758,286)
Financial charges on lease liabilities	13	(3,410,224)	(4,034,678)
Financial income		23,453	24,905
Other income, net	20	2,325,755	14,258,875
<b>INCOME BEFORE ZAKAT</b>		<b>15,457,251</b>	<b>2,703,058</b>
Zakat	14	(2,342,055)	(1,371,712)
<b>NET INCOME FOR THE PERIOD</b>		<b>13,115,196</b>	<b>1,331,346</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>13,115,196</b>	<b>1,331,346</b>
<b>Attributable to:</b>			
Equity holders of the Parent		12,798,837	1,875,090
Non-controlling interests		316,359	(543,744)
		<b>13,115,196</b>	<b>1,331,346</b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted earnings per share attributable to equity holders of the parent	21	<b>0.13</b>	<b>0.02</b>

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

**Dur Hospitality Company**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the three-month period ended 31 March

Attributable to the shareholders of the parent company						
	Share capital SR	Statutory reserve SR	Consensual reserve SR	Retained earnings SR	Revaluation reserve of investment at fair value through OCI SR	Total SR

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

**Dur Hospitality Company**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the three-month period ended 31 March

		<i>For the three-month period ended 31 March</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>			
Income before zakat		15,457,251	2,703,058
Adjustments for:			
Impairment losses on trade receivables	6	2,997,751	(3,454,201)
Depreciation of right of use assets	13	3,592,182	3,955,604
Depreciation of property and equipment	9	25,566,515	24,545,419
Provision for employees' terminal benefits		2,119,933	3,927,810
Financial charges on term loans		5,885,171	5,758,286
Financial charges on lease liabilities	13	3,410,224	4,034,678
		<hr/>	<hr/>
		59,029,027	41,470,654
Working capital adjustments:			
Trade receivables		(27,796,716)	4,931,206
Prepayment and other current assets		(2,809,265)	30,584,662
Inventories		(1,999,279)	(458,748)
Trade payables		(2,192,523)	3,134,110
Accrued expenses and other current liabilities		7,235,746	5,916,416
Due to related parties		(363,824)	(323,569)
		<hr/>	<hr/>
Cash from operation		31,103,166	85,254,731
Zakat paid	14	-	(192,413)
Employees' terminal benefits paid		(2,003,419)	(4,993,153)
		<hr/>	<hr/>
Net cash from operating activities		29,099,747	80,069,165
		<hr/>	<hr/>
<b>INVESTING ACTIVITY</b>			
Additions to property and equipment	9	(6,478,065)	(41,486,554)
Additions to projects under construction	10	(26,795,280)	(4,977,798)
Proceeds from sale of property and equipment		66,931	-
		<hr/>	<hr/>
Net cash used in investing activities		(33,206,414)	(46,464,352)
		<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>			
Long-terms loans proceeds		100,099,715	58,998,850
Long-terms loans repaid		(88,122,881)	(53,551,654)
Dividends paid		(117,291)	(50,439)
Net movement in non-controlling interest		-	(78,000)
Payments of lease liabilities		-	(5,547,287)
Financial charges paid		(4,497,663)	(5,758,286)
		<hr/>	<hr/>
Net cash from / (used in) financing activities		7,361,880	(5,986,816)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		3,255,213	27,617,997
Cash and cash equivalents at 1 January		91,647,932	94,828,467
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	5	94,903,145	122,446,464
		<hr/>	<hr/>
<b>NON-CASH TRANASCATIONS:</b>			
Finance cost on lease capitalized in projects under construction		226,293	-
Depreciation of right of use assets capitalized in projects under construction		79,569	-

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

**Dur Hospitality Company**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**31 March 2022**

**1 REPORTING ENTITY**

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 and providing services for pilgrims and visitors to Prophet's (PBUH) Mosque. The Company carries out these activities directly or jointly with others jointly or separately.

These consolidated financial statements include the financial information of the Company and the following subsidiaries (together referred to as the "Group"):

<i>Subsidiaries</i>	<i>Share capital (SR)</i>	<i>Direct and Indirect Ownership %</i>	
		<i>31 March 2022</i>	<i>31 December 2021</i>
Makkah Hotels Company Limited	165,600,000	99.44%	99.44%
Saudi Hotel Services Company Limited	70,000,000	70.00%	70.00%
Alnakheel for Tourist Areas Company Limited	59,250,000	98.73%	98.73%
Nuzul Shada Hospitality Company	40,000,000	60.00%	60.00%
Tabuk Hotels Company Limited	27,300,000	97.14%	97.14%
Jude Alia Company Limited	100,000	99.00%	99.00%
Almasdar Alamny Company Limited	100,000	95.00%	95.00%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	95.00%	95.00%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	100.00%	100.00%
Dara Oasis Company Limited (One Person Company)	100,000	100.00%	100.00%
Almashrouat Almethaleyah Real Estate Company (One Person Company)	100,000	100.00%	100.00%
Alsarh Alaniq operation and maintenance Company (One Person Company)	100,000	100.00%	100.00%

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 and is engaged in hotel hospitality activity. 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 Jumada Thani 1413H (corresponding to 17 December 1992). The company owns Makarem Alnakheel Hotel and Resort in Jeddah.

Dur Hospitality Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited) (Continued)  
31 March 2022

**1 REPORTING ENTITY (Continued)**

***Nuzul Shada Hospitality 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.

***Almashrouat Almethaleyah Real Estate Company***

Almashrouat Almethaleyah Real Estate Company (one-person company) is a Saudi limited liability company registered under CR No. 1010596957 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is the management and leasing of owned or leased residential and non-residential properties.

***Alsarh Alaniq operation and maintenance Company***

Alsarh Alaniq operation and maintenance Company (one-person company) is a Saudi limited liability company registered under CR No. 1010596958 on 30 Muharram 1441H (corresponding to 29 September 2021). The main activity of the company is cleaning of new buildings after construction.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 *Basis of preparation*

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim condensed consolidated financial statements do not include all information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended 31 December 2021.

### 2.2 *Basis of measurement*

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment at FVOCI which is measured at fair value and employees’ end of service benefits which are measured under projected credit unit method. Further, these interim condensed consolidated financial statements have been prepared using accrual basis of accounting and going concern concept.

### 2.3 *Functional and presentation currency*

The interim condensed consolidated financial statements are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Group.

### 2.4 *Changes in significant accounting policies*

The accounting policies applied in these condensed consolidated interim financial statements are the same as were applied in the Group’s annual consolidated financial statements as at and for the year ended 31 December 2021.

The Group applied for the first-time the following standards and amendments, which are effective for annual periods beginning on or before 1 January 2022 which had no material impact on the Group’s interim condensed consolidated financial statements.

#### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

#### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

#### **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Changes in significant accounting policies (continued)**

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

**IAS 41 Agriculture – Taxation in fair value measurements**

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

**2.5 Standards issued but not yet effective**

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which will be effective from periods after January 1, 2022. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

**Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities**

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Effective date is deferred until accounting periods starting not earlier than 1 January 2024.

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Effective date is annual periods beginning on or after 1 January 2023.

**IFRS 17, 'Insurance contracts', as amended in June 2020**

The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

Effective date is annual periods beginning on or after 1 January 2023.

**Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction**

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Effective date is annual periods beginning on or after 1 January 2023.

### 3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

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

The estimates and underlying assumptions are reviewed on an ongoing. The differences arising on revisions to estimates are recognised prospectively.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's annual condensed consolidated financial statements.

#### *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 the 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 utilize 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.

#### *Impairment of non financial assets*

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and 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 Discounted Cash Flow model ("DCF"). 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 performance of the assets of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

#### *Impairment of trade receivables*

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 its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### *Provision for employees' end of service benefits*

The Employees' defined benefit obligations are 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 DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

#### *Useful lives and residual values of property and equipment*

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

#### *Going concern*

These interim condensed consolidated financial statements have been prepared under the going concern basis. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

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**4 OPERATING SEGMENTS**

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

The following summary describes the operations of each reportable segment:

- Hospitality** : represents hotels owned by the Group and revenues generated through them whether these hotels are operated by the Group or by a third party.
- Property management** : represents management and operation of hotels and properties that are not owned by the Group.
- Property rental** : represents properties owned by the Group which are leased to others. These properties comprise 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 periods ended 31 March 2022 and 2021:

<b>31 March 2022</b>						
<b>SR</b>	<i>Hospitality</i>	<i>Property management</i>	<i>Property rental</i>	<i>others</i>	<i>Eliminations</i>	<i>Total</i>
Revenue from external customers	113,854,786	438,006	31,370,633	-	-	145,663,425
Inter-segment revenue	750,000	4,929,899	1,853,372	-	(7,533,271)	-
Cost of revenue	105,362,952	807,572	11,720,047	-	(7,432,021)	110,458,550
Gross profit	9,241,834	4,560,333	21,503,958	-	(101,250)	35,204,875
Depreciation of property and equipment and right of use assets	22,981,713	-	5,834,594	-	-	28,816,307
Property and equipment	1,799,491,090	-	892,843,703	-	-	2,692,334,793
Right of use assets	206,793,998	-	19,095,359	-	-	225,889,357
Projects under construction	109,591,050	-	13,017,147	-	-	122,608,197
Total assets	1,705,428,994	6,551,596	1,594,185,625	657,088,829	(520,938,657)	3,442,316,387
Total liabilities	1,641,565,143	13,084,885	146,370,374	881,878	(55,681,927)	1,746,220,353
<b>31 March 2021</b>						
<b>SR</b>	<i>Hospitality</i>	<i>Property management</i>	<i>Property rental</i>	<i>others</i>	<i>Eliminations</i>	<i>Total</i>
Revenue from external customers	69,690,734	309,625	30,180,478	-	-	100,180,837
Inter-segment revenue	755,961	3,804,905	1,608,868	-	(6,169,734)	-
Cost of revenue	90,873,293	598,916	11,952,453	-	(6,032,362)	97,392,300
Gross profit / (loss)	(20,426,598)	3,515,614	19,836,893	-	(137,372)	2,788,537
Depreciation of property and equipment and right of use assets	21,934,415	-	5,622,291	-	-	27,556,706
Property and equipment	1,797,137,004	30,601	918,198,540	-	-	2,715,366,145
Right of use assets	235,259,578	-	19,538,942	-	-	254,798,520
Projects under construction	125,088,967	-	4,835,291	-	-	129,924,258
Total assets	1,844,563,266	2,815,481	1,482,267,543	647,298,173	(505,016,278)	3,471,928,185
Total liabilities	1,623,738,178	9,904,178	151,937,905	985,490	(13,620,883)	1,772,944,868

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**4 OPERATING SEGMENTS (CONTINUED)**

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

	<i>For the three-month period ended</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Segments gross profit	35,204,875	2,788,537
<b>Un-allocated amounts:</b>		
Selling and Marketing expenses	(391,954)	(294,028)
General and administrative expenses	(11,496,275)	(4,282,267)
Financial income	23,453	24,905
Financial charge	(6,798,379)	(5,758,286)
Financial charges on lease liabilities	(3,410,224)	(4,034,678)
Other income, net	2,325,755	14,258,875
Total un-allocated amounts	(19,747,624)	(85,479)
<b>Income before Zakat</b>	<b>15,457,251</b>	<b>2,703,058</b>

**5 CASH AND CASH EQUIVALENTS**

	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Bank balances	91,463,601	73,860,474
Short-term deposits (a)	2,500,000	17,000,000
Cash on hand	939,544	787,458
	<b>94,903,145</b>	<b>91,647,932</b>

- (a) Short term deposits represent Murabaha deposits with commercial banks and the maturity average of those deposits ranges between 30 to 90 days and bears an average Murabaha commission of 80 basis points. Financial income for the period ended 31 March 2022 amounted SR 23,453 (31 March 2021: SR 24,905).
- (b) As at 31 March 2022, the Group has available cash facilities amounting SR 216.8 million (31 December 2021: SR 171.3 million) representing unwithdrawn cash from the cash facility granted.
- (c) The transactions mentioned in note 22, include an overdraft US dollar bank account amounting to SR 27.8 million as of 31 March 2022 (31 December 2021: SR 20.83 million) with the financial institution. Further, an amount of SR 1.9 million is received in one of the bank accounts of the Company in relation to these arrangements. The Group did not use or account for either of these amounts.

**6 TRADE RECEIVABLES**

	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Trade receivables	197,921,311	170,475,362
Provision for expected credit loss	(27,880,956)	(25,233,972)
	<b>170,040,355</b>	<b>145,241,390</b>

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**6 TRADE RECEIVABLES (CONTINUED)**

Movement in provision for expected credit loss as of 31 March 2022 and 31 December 2021 is as follow:

	<i>31 March 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
At 1 January	25,233,972	26,445,793
Charge for the period/year	2,997,751	738,991
Recovered during the period/year	(350,767)	(1,473,173)
Bad debts written off during the period/year	-	(477,639)
At the end of the period/year	<u>27,880,956</u>	<u>25,233,972</u>

**7 PREPAYMENTS AND OTHER CURRENT ASSETS**

	<i>31 March 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
Advance for rent (note (a))	58,818,607	58,818,607
Prepayments	11,560,782	10,978,260
Contract assets	5,874,985	5,769,217
Advance payment for real estate projects	1,796,104	1,796,104
Advances to suppliers	2,927,072	2,034,216
Advances to employees	2,497,398	3,310,210
Amounts due from related parties	3,764,751	3,710,899
Others	10,671,741	8,684,662
	<u>97,911,440</u>	<u>95,102,175</u>

- (a) Advance for rent represents a payment to lease a hotel building in Makkah Al-Mukaramah for period a of three and a half years. The Company terminated the lease contract during 2020 and the amount will be recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. The management believes that the amount is fully recoverable as it is secured through collateral on the title deed of the hotel's land owned by the lessor, the fair value of the land exceeds the amount of advance as of 31 March 2022. During 2021, the Company filed a lawsuit against the lessor in order to enforce the collateral on the hotel land and recover the advance for rent. Management expects the amount to be collected during 2022.

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**8 RIGHT OF USE ASSETS**

The Group leases several assets including lands and buildings. Details about the assets leased by the Group are as follows:

<i>31 March 2022</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Total SR</i>
<b>Cost:</b>			
At 1 January and 31 March 2022	54,973,553	221,127,829	276,101,382
<b>Depreciation:</b>			
At 1 January	5,710,560	40,829,714	46,540,274
Charge for the period	596,092	3,075,659	3,671,751
At 31 March	6,306,652	43,905,373	50,212,025
<b>Net Book Value:</b>			
As at 31 March 2022	<u>48,666,901</u>	<u>177,222,456</u>	<u>225,889,357</u>
	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Total SR</i>
<b>31 December 2021</b>			
<b>Cost:</b>			
As at 1 January	54,973,553	259,721,033	314,694,586
Additions during the year	-	19,809,907	19,809,907
Lease adjustments (a)	-	(58,403,111)	(58,403,111)
As at 31 December 2021	54,973,553	221,127,829	276,101,382
<b>Depreciation:</b>			
As at 1 January	3,327,440	31,958,667	35,286,107
Charge for the year	2,383,120	11,984,301	14,367,421
Lease adjustment (a)	-	(3,113,254)	(3,113,254)
	5,710,560	40,829,714	46,540,274
<b>Net book values:</b>			
As at 31 December 2021	<u>49,262,993</u>	<u>180,298,115</u>	<u>229,561,108</u>

- (a) Lease settlement adjustments represent changes made to lease payments and terms agreed upon with the lessor.
- (b) The leases do not include guarantees given by the Group against the residual value of the assets. There are no leases that the Group has committed to and the properties have not been delivered to the Group.

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**9 PROPERTY AND EQUIPMENT**

The estimated useful life of the assets for the calculation of depreciation is:

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

**31 March 2022**

**Cost:**

At 1 January	Lands SR	Building SR	Building improvements SR	Furniture SR	Motor vehicles SR	Machinery and equipment SR	Elevators and central air conditioning SR	Total SR
Addition	744,072,519	2,173,942,670	142,337,318	403,458,073	7,783,678	187,653,667	114,813,941	3,774,061,866
Disposal	-	2,500,000	618,723	936,036	-	2,294,206	129,100	6,478,065
						(72,990)	-	(72,990)
At 31 March	744,072,519	2,176,442,670	142,956,041	404,394,109	7,783,678	189,874,883	114,943,041	3,780,466,941

**Depreciation:**

At 1 January	-	576,651,826	93,874,820	265,993,909	7,036,576	79,037,544	39,977,017	1,062,571,692
Charge for the period	-	10,463,022	2,747,859	6,644,325	96,940	4,711,719	902,650	25,566,515
Disposal	-	-	-	-	-	(6,059)	-	(6,059)
At 31 March	-	587,114,848	96,622,679	272,638,234	7,133,516	83,743,204	40,879,667	1,088,132,148

**Net Book Value:**

As at 31 March 2022	744,072,519	1,589,327,822	46,333,362	131,755,875	650,162	106,131,679	74,063,374	2,692,334,793
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9 PROPERTY AND EQUIPMENT (CONTINUED)

31 December 2021	Lands SR	Buildings SR	Building improvements SR	Furniture SR	Motor vehicles SR	Machinery and equipment SR	Elevators and central air conditioning SR	Total SR
<b>Cost:</b>								
At the beginning of the year	738,422,519	2,127,035,874	137,403,102	379,519,249	7,421,172	168,217,036	113,134,640	3,671,153,592
Additions	5,650,000	31,020,660	7,310,577	7,004,968	425,506	13,188,042	43,512	64,643,265
Disposals	-	-	(3,345,686)	(3,490,800)	(63,000)	(3,709,346)	-	(10,608,832)
Transfer from projects under construction (note 10)	-	22,562,604	969,325	20,424,656	-	9,957,935	1,635,789	55,550,309
Adjustments (a)	-	(6,676,468)	-	-	-	-	-	(6,676,468)
As 31 December	744,072,519	2,173,942,670	142,337,318	403,458,073	7,783,678	187,653,667	114,813,941	3,774,061,866
<b>Accumulated depreciation</b>								
At the beginning of the year	-	532,794,363	89,707,338	243,725,507	6,943,661	63,171,011	36,386,702	972,728,582
Charge for the year	-	44,070,275	7,513,168	25,681,530	155,915	19,381,422	3,590,315	100,392,625
Disposals	-	-	(3,345,686)	(3,413,128)	(63,000)	(3,514,889)	-	(10,336,703)
Adjustments (a)	-	(212,812)	-	-	-	-	-	(212,812)
As 31 December	-	576,651,826	93,874,820	265,993,909	7,036,576	79,037,544	39,977,017	1,062,571,692
Net Book Value:								
As at 31 December 2021	744,072,519	1,597,290,844	48,462,498	137,464,164	747,102	108,616,123	74,836,924	2,711,490,174

(a) During the year ended 31 December 2021, the Company re-estimated cost of certain items of the projects by SR 6.7 million.

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**10 PROJECTS UNDER CONSTRUCTION**

Movement of projects under construction:

	<i>For the three-month period ended 31 March 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
At the beginning of the period/year	95,507,055	124,946,460
Additions during the period/year	27,101,142	26,110,904
Transfers to property and equipment (note 9)	-	(55,550,309)
At the end of the period/year	<u>122,608,197</u>	<u>95,507,055</u>

- (a) The projects under construction mainly represent the cost of constructing new hotels and renovating existing hotels in addition to other projects. This item includes contractors' costs in addition to project management expenses, design expenses, and other miscellaneous expenses. The board of directors review the progress of these projects on timely basis and there is no decision been taken to cancel any of these projects.
- (b) Transfers into property and equipment during 2021 amounting SR 55.6 million mainly represent the cost of construction of renovation of Makkah Hotel.

**11 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<i>31 March 2022 SR</i>	<i>31 December 2021 SR</i>
Contract liabilities	77,836,628	67,504,337
Payable to contractors	20,754,970	24,877,518
Retentions payable	14,754,958	14,453,636
Accrued staff benefits	16,670,482	17,557,874
Accrued utilities	22,892,088	14,913,370
Accrued professional fees and other services	9,761,360	8,688,330
Others	7,541,064	13,593,231
	<u>170,211,550</u>	<u>161,588,296</u>

**12 TERM LOANS**

The Group has secured term loans in the form of Murabaha financing with a total value of SR 1,029 million (31 December 2021: SR 1,017 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by order notes and assignment of proceeds from certain projects' rentals.

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Company was compliant with the loan covenants as at 31 March 2022 and 31 December 2021.

Following is a summary of the loans:

	<i>31 March 2022 SR</i>	<i>31 December 2021 SR</i>
Term loans – current portion	328,131,191	271,761,088
Term loans – non-current portion	701,117,306	745,510,575
	<u>1,029,248,497</u>	<u>1,017,271,663</u>

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**13 LEASE LIABILITIES**

Set out below are the carrying amounts of lease liabilities recognized and the movements during the period/year:

	<i>31 March 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
As at 1 January	345,652,935	385,880,458
Additions	-	19,809,907
Lease adjustment	-	(56,348,028)
Interest	3,636,517	14,632,885
Payments	-	(18,322,287)
As at 31 December	<u>349,289,452</u>	<u>345,652,935</u>
<i>The present value of the net lease payments is as follows:</i>		
Current	49,116,635	43,343,159
Non-current	300,172,817	302,309,776

The following are the amounts recognized in consolidated statement of income:

	<i>For the three-month period ended 31 March 2022</i>	<i>31 March 2021</i>
	<i>SR</i>	<i>SR</i>
Depreciation expense of right-of-use assets	3,592,182	3,955,604
Financial charges on lease liabilities	3,410,224	4,034,678
Total amount recognized in consolidated statement of income	<u>7,002,406</u>	<u>7,990,282</u>

**14 ZAKAT**

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

*Movement in zakat provision:*

	<i>For the three-month period ended 31 March 2022</i>	<i>For the year ended 31 December 2021</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the period/year	13,662,198	13,323,298
Provided during the period/year	2,342,055	9,312,287
Paid during the period/year	-	(8,973,387)
At the end of the period/year	<u>16,004,253</u>	<u>13,662,198</u>

*Zakat status:*

The Company and its subsidiaries have filed their Zakat returns with Zakat, Income Tax and Customs Authority ("ZATCA") for all years up to 2021 and paid the Zakat payable and obtained the unrestricted Zakat certificates.

ZATCA issued zakat assessments for the years from 2015 to 2018. The Company submitted its objections on those assessments. Those objections were accepted by ZATCA, except for the amount of SR 0.86 million for the year 2015. The Company submitted its appeal to the General Secretariat of the Committees ("GSTC"). GSTC accepted the Company's objections amounting to SR 0.62 million, whereas objections amounting to SR 0.25 million were rejected.

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**15 SHARE CAPITAL**

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2021: 100 million shares of SR 10 each).

**16 DIVIDENDS PAYABLE**

As at 31 March 2022, current liabilities include the balance of dividends payable amounting to SR 43.8 million (31 December 2021: SR 43.9 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the interim condensed consolidated statement of financial position.

**17 REVENUE**

The following is the disaggregation of the Group's revenue from contracts with customers:

<i>31 March 2022</i>	<i>Hospitality SR</i>	<i>Rental SR</i>	<i>Property Management SR</i>	<i>Total SR</i>
<b>Type of goods or service</b>				
Hospitality services - rooms	79,237,866	-	-	79,237,866
Sales of goods - food and beverage	29,276,782	-	-	29,276,782
Other hospitality revenues	5,340,138	-	-	5,340,138
Rental income	-	31,370,633	-	31,370,633
Management fee	-	-	438,006	438,006
<b>Total revenue from contracts with customers</b>	<b>113,854,786</b>	<b>31,370,633</b>	<b>438,006</b>	<b>145,663,425</b>
<b>Timing of revenue recognition</b>				
Over time	84,578,004	31,370,633	438,006	116,386,643
At a point in time	29,276,782	-	-	29,276,782
<b>Total revenue from contracts with customers</b>	<b>113,854,786</b>	<b>31,370,633</b>	<b>438,006</b>	<b>145,663,425</b>
<i>31 March 2021</i>	<i>Hospitality SR</i>	<i>Rental SR</i>	<i>Property Management SR</i>	<i>Total SR</i>
<b>Type of goods or service</b>				
Hospitality services - rooms	44,796,118	-	-	44,796,118
Sales of goods - food and beverage	17,167,841	-	-	17,167,841
Other hospitality revenues	7,726,775	-	-	7,726,775
Rental income	-	30,180,478	-	30,180,478
Management fee	-	-	309,625	309,625
<b>Total revenue from contracts with customers</b>	<b>69,690,734</b>	<b>30,180,478</b>	<b>309,625</b>	<b>100,180,837</b>
<b>Timing of revenue recognition</b>				
Over time	52,522,893	30,180,478	309,625	83,012,996
At a point in time	17,167,841	-	-	17,167,841
<b>Total revenue from contracts with customers</b>	<b>69,690,734</b>	<b>30,180,478</b>	<b>309,625</b>	<b>100,180,837</b>

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18 COST OF REVENUE

	<i>For the three-month period ended</i>	
	<i>31 March 2022</i>	<i>31 March 2021</i>
	SR	SR
Salaries and benefits	43,908,091	39,376,407
Depreciation of property and equipment and right of use assets	28,816,307	27,556,706
Operating supplies	10,519,173	6,342,188
Food and beverage	9,354,738	6,087,864
Utilities	5,763,161	5,247,465
Repair and maintenance	2,748,610	2,538,082
Service and operation fees	2,588,179	4,931,901
Advertising and promotion activities	4,052,467	2,733,679
Commission for travelling agency and credit cards	1,739,610	1,677,909
Security and guarding	164,600	170,583
Others	803,614	729,516
	<u>110,458,550</u>	<u>97,392,300</u>

19 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the three-month period ended</i>	
	<i>31 March 2022</i>	<i>31 March 2021</i>
	SR	SR
Salaries and other employee benefits	5,401,472	4,786,793
Charge of provision for expected credit loss (note 6)	2,646,984	(3,454,201)
Professional fee	557,032	498,122
Board of Director remuneration	887,500	874,750
Subscription	729,799	415,566
Depreciation of property and equipment	342,390	716,348
Hospitalities	434,366	112,306
Others	496,732	332,583
	<u>11,496,275</u>	<u>4,282,267</u>

20 OTHER INCOME, NET

	<i>For the three-month period ended</i>	
	<i>31 March 2022</i>	<i>31 March 2021</i>
	SR	SR
Accrual no longer required	2,220,155	5,000,000
Income from settlement with a contractor	-	9,120,000
Others, net	105,600	138,875
	<u>2,325,755</u>	<u>14,258,875</u>

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**21 BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<i>31 March 2022 SR</i>	<i>31 March 2021 SR</i>
Earnings for the period attributable to the equity holders of the Parent	<b>12,798,837</b>	1,875,090
Weighted average number of outstanding shares	<b>100,000,000</b>	100,000,000
Basic and diluted earnings per share	<b>0.13</b>	0.02

**22 COMMITMENTS AND CONTINGENCIES**

*Capital commitments*

As at 31 March 2022, the Group has entered into capital commitments of SR 127.8 million (31 December 2021: SR 117.8) related to its capital work in progress.

*Contingencies*

- a) As at 31 March 2022, the Group had issued outstanding letters of guarantee amounting to SR 28.5 million (31 December 2021: SR 30.2 million). These guarantees are without cash margin.
- b) For Zakat related matters, refer to note 14

*c) Legal claim contingency*

During 2018 the Company entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Company disputed the validity of these agreements and filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for Resolution of Securities Disputes ("the CRSD"). During 2021, the CRSD has issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations. On 10 March 2022, The Company filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. The potential outcome of the new claim cannot be reasonably estimated as this stage.

**23 INTERIM RESULTS**

The operations and revenues of the Group are affected by the seasonal changes during the year. Therefore, the results of operations for the three months period ended 31 March 2022, may not necessarily be indicative of the annual results of the Group.

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**24 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial asset and financial liabilities. The Group's financial assets consist of investment at fair value through other comprehensive income, trade receivables and amounts due from related parties, and its financial liabilities consist of term loans, payables, and amounts due to related parties.

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

*a) Financial assets*

	<i>31 March 2022 SR</i>	<i>31 December 2021 SR</i>
<b>Financial assets classified as available for sale</b>		
Investments at fair value through other comprehensive income (FVOCI)	2,101,657	2,101,657
<b>Financial assets carried at amortized cost</b>		
Cash and cash equivalents	94,903,145	91,647,932
Trade receivables	170,040,355	145,241,390
Due from related parties	3,764,751	3,710,899
Total financial assets carried at amortized cost	268,708,251	240,600,221
Total financial asset	270,809,908	242,701,878
Total current financial assets	268,708,251	240,600,221
Total non-current financial assets	2,101,657	2,101,657
Total financial asset	270,809,908	242,701,878

*b) Financial liabilities*

	<i>31 March 2022 SR</i>	<i>31 December 2021 SR</i>
<b>Financial liabilities carried at amortised cost</b>		
Trade Payable	39,135,372	41,327,895
Term loans	1,029,248,497	1,017,271,663
Due to related parties	36,794,923	37,158,747
Dividends payable	43,822,003	43,939,294
Total financial liabilities carried at amortised cost	1,149,000,795	1,139,697,599
Total current financial liabilities	447,883,489	394,187,024
Total non-current financial liabilities	701,117,306	745,510,575
Total financial liabilities carried at amortised cost	1,149,000,795	1,139,697,599

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

## 25 SIGNIFICANT EVENTS

The spread of the COVID-19 was confirmed across many geographical areas in early 2020, causing fundamental uncertainty about macroeconomics, disrupting business and economic activities. During March 2020, the Government of Saudi Arabia took several initiatives to contain the spread of the virus, which included restrictions on travel, gatherings and curfews.

The extent to which the pandemic impacts Group's business and operations is ascertainable but the financial impact over the next 12 months cannot be measured reliably as it depends on various current factors and future developments, that the Group may not be able to estimate reliably during the current year. These factors include the rate of virus transmission, the duration of its outbreak and precautionary measures that government may take to reduce the spread of the epidemic, and the impact of these measures on the economic activity, as well as the group's customers business and other factors.

Although it is now difficult to predict the overall impact and to how extent on business and economy, the Group's management has made an assessment to the level of this impact on the group's overall operations, and estimated assessing liquidity requirements and business, including travel restrictions and demand on the group's properties, etc. The Group cannot confirm that its used assumptions above in estimates will be correct due to these uncertain situations. In addition, the size, duration and speed of the global epidemic are uncertain, and therefore the management has taken several steps to mitigate the effects of the epidemic, including cost-cutting measures. It also assessed the status of cash flows including banking facilities, the continuity of existing leases and the readiness of operational procedures when the situation improves.

In the light of the current uncertainty, any future changes in assumptions and estimates could lead to results that may require substantial adjustments to the book values listed for assets or liabilities affected by these results in future periods. Group management will continue to assess the impact based on foreseen developments, and will keep shareholders updated as more information becomes available. Based on financial position and assessing potential scenarios, management does not believe that there are any significant risks related to the going concern basis

## 26 SUBSEQUENT EVENTS

There are no matters that have occurred up to and including the date of the approval of the interim condensed consolidated financial statements which could materially affect the interim condensed consolidated financial statements and the related disclosures for the three month period ended 31 March 2022.

## 27 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 15 Shawwal 1443H (corresponding to 16 May 2022).