

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

For the three and six month periods ended 30 June 2022

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the period ended 30 June 2022

<i>Index</i>	<i>Page</i>
Independent auditor's review report	1
Interim condensed consolidated statement of financial position	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5
Notes to the interim condensed consolidated financial statements	6 – 25



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821

Tel: +966 11 215 9898

+966 11 273 4740

Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com

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

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Dur Hospitality Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2022, and the related interim condensed consolidated statement of comprehensive income for the three and six months periods ended 30 June 2022, and the related interim condensed consolidated changes in equity and cash flows for the six months 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") that is 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" 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 the 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 and six months periods ended 30 June 2022 would be higher by SR 9.2 million and SR 28.75 million respectively (for the three and six months periods ended 30 June 2021: net income would be lower by SR 1.67 million and higher by SR 7 million respectively), the net equity as of 30 June 2022 would be lower by SR 37.9 million (the net equity as of 31 December 2021 and 1 January 2021 would be lower by SR 66.7 million SR 83.1 million, respectively). Our audit opinion for the year ended 31 December 2021 and our review conclusion for the prior period ended 30 June 2021 have 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 that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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

Riyadh: 25 Muharram 1444H
(23 August 2022)



Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	<i>Note</i>	30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	92,013,668	91,647,932
Trade receivables	6	154,887,508	145,241,390
Prepayments and other current assets	7	103,557,672	95,102,175
Inventories		19,024,401	17,105,511
TOTAL CURRENT ASSETS		369,483,249	349,097,008
NON-CURRENT ASSETS			
Investments at fair value through other comprehensive income (FVOCI)		2,101,657	2,101,657
Investments in equity accounted investees		14,266,209	17,422,653
Right of use assets	8	208,926,366	229,561,108
Property and equipment	9	2,670,386,005	2,711,490,174
Projects under construction	10	143,703,135	95,507,055
TOTAL NON-CURRENT ASSETS		3,039,383,372	3,056,082,647
TOTAL ASSETS		3,408,866,621	3,405,179,655
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Term loans – current portion	12	263,501,876	271,761,088
Lease liabilities - current portion	13	27,116,616	43,343,159
Trade payable		39,765,257	41,327,895
Accrued expenses and other current liabilities	11	154,034,243	161,588,296
Due to related parties		36,420,847	37,158,747
Dividends payable	16	43,788,928	43,939,294
Provision for zakat	14	9,696,484	13,662,198
TOTAL CURRENT LIABILITIES		574,324,251	612,780,677
NON-CURRENT LIABILITIES			
Term loans – non-current portion	12	776,617,654	745,510,575
Lease liabilities – non-current portion	13	304,040,783	302,309,776
Employees' terminal benefits liabilities		63,002,171	61,597,789
TOTAL NON-CURRENT LIABILITIES		1,143,660,608	1,109,418,140
TOTAL LIABILITIES		1,717,984,859	1,722,198,817
EQUITY			
Share capital	15	1,000,000,000	1,000,000,000
Statutory reserve		500,000,000	500,000,000
Retained earnings		136,711,775	128,491,258
Revaluation reserve of investment at fair value through OCI		(4,898,343)	(4,898,343)
Total equity attributable to shareholders of the parent company		1,631,813,432	1,623,592,915
Non-controlling interest		59,068,330	59,387,923
TOTAL EQUITY		1,690,881,762	1,682,980,838
TOTAL LIABILITIES AND EQUITY		3,408,866,621	3,405,179,655

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 and six month periods ended 30 June 2022

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2022 SR	2021 SR	2022 SR	2021 SR
REVENUES					
Hospitality income	17	91,960,610	82,169,698	205,815,396	151,860,432
Rental income	17	31,912,449	30,898,426	63,283,082	61,078,904
Management fees income	17	907,115	493,059	1,345,121	802,684
TOTAL REVENUE		124,780,174	113,561,183	270,443,599	213,742,020
Cost of revenue	18	(105,421,425)	(101,340,314)	(215,879,975)	(198,732,614)
GROSS PROFIT		19,358,749	12,220,869	54,563,624	15,009,406
EXPENSES					
Selling and marketing expenses		(1,152,306)	(224,995)	(1,544,260)	(519,023)
General and administrative expenses	19	(9,479,450)	(8,055,951)	(20,975,725)	(12,338,218)
TOTAL EXPENSES		(10,631,756)	(8,280,946)	(22,519,985)	(12,857,241)
OPERATING INCOME		8,726,993	3,939,923	32,043,639	2,152,165
Financial charges		(10,886,666)	(5,849,657)	(17,685,045)	(11,607,943)
Financial charges on lease liabilities	13	(3,568,850)	(3,112,876)	(6,979,074)	(7,147,554)
Financial income		4,417	8,453	27,870	33,358
Other income, net	20	635,222	2,682,544	2,960,977	16,941,419
Share of results of equity accounted investees		593,556	-	593,556	-
INCOME / (LOSS) BEFORE ZAKAT		(4,495,328)	(2,331,613)	10,961,923	371,445
Zakat	14	(718,944)	(1,297,546)	(3,060,999)	(2,669,258)
NET INCOME / (LOSS) FOR THE PERIOD		(5,214,272)	(3,629,159)	7,900,924	(2,297,813)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		(5,214,272)	(3,629,159)	7,900,924	(2,297,813)
Attributable to:					
Equity holders of the Parent		(4,578,320)	(3,744,451)	8,220,517	(1,869,361)
Non-controlling interests		(635,952)	115,292	(319,593)	(428,452)
		(5,214,272)	(3,629,159)	7,900,924	(2,297,813)
EARNINGS PER SHARE					
Basic and diluted earnings per share attributable to equity holders of the parent	21	(0.05)	(0.04)	0.08	(0.02)

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 six-month period ended 30 June 2022

Notes	Attributable to the shareholders of the Parent Company						Non-controlling interests SR	Total equity SR
	Share capital SR	Statutory reserve SR	Consensual reserve SR	Retained earnings SR	Revaluation reserve of investment at fair value through OCI SR	Total SR		
For the six-month period ended 30 June 2022								
At 1 January 2022 (audited)	1,000,000,000	500,000,000	-	128,491,258	(4,898,343)	1,623,592,915	59,387,923	1,682,980,838
Total comprehensive income for the period	-	-	-	8,220,517	-	8,220,517	(319,593)	7,900,924
As at 30 June 2022 (Unaudited)	1,000,000,000	500,000,000	-	136,711,775	(4,898,343)	1,631,813,432	59,068,330	1,690,881,762
For the six-month period ended 30 June 2021								
At 1 January 2021 (audited)	1,000,000,000	500,000,000	143,002,490	1,384,928	(5,057,678)	1,639,329,740	58,400,231	1,697,729,971
Total comprehensive loss for the period	-	-	-	(1,869,361)	-	(1,869,361)	(428,452)	(2,297,813)
Net movement during the period	-	-	-	-	-	-	(156,001)	(156,001)
At 30 June 2021 (unaudited)	1,000,000,000	500,000,000	143,002,490	(484,433)	(5,057,678)	1,637,460,379	57,815,778	1,695,276,157

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 six-month period ended 30 June 2022

		<i>For the six-month period ended 30 June</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES			
Income before zakat		10,961,923	371,445
<i>Adjustments for:</i>			
Impairment losses on trade receivables	6	3,235,012	(3,671,381)
Depreciation of right of use assets	13	6,756,775	8,106,639
Depreciation of property and equipment	9	50,984,501	49,080,681
COVID-19 related rent concession	20	(251,035)	-
Provision for slow moving inventories		-	29,860
Provision for employees' terminal benefits		7,334,801	8,715,249
Loss on disposal of property and equipment		86,646	-
Financial charges on term loans		15,011,440	11,607,943
Share of results of equity accounted investees		(593,556)	-
Financial charges on lease liabilities	13	6,979,074	7,147,554
		100,505,581	81,387,990
<i>Working capital adjustments:</i>			
Trade receivables		(12,881,130)	(8,020,570)
Prepayments and other current assets		(8,455,497)	24,778,721
Inventories		(1,918,890)	(1,999)
Trade payables		(1,562,638)	3,903,320
Accrued expenses and other current liabilities		(10,547,026)	(2,355,730)
Due to related parties		(737,900)	(400,349)
Cash from operations		64,402,500	99,291,383
Zakat paid	14	(7,026,713)	(5,426,670)
Employees' terminal benefits paid		(5,930,419)	(7,076,530)
Net cash from operating activities		51,445,368	86,788,183
INVESTING ACTIVITY			
Additions to property and equipment	9	(10,482,304)	(44,185,432)
Additions to projects under construction	10	(47,584,358)	(10,184,852)
Additions to investments in equity accounted investees		-	(12,250)
Proceeds from investment in equity accounted investees		3,750,000	-
Proceeds from sale of property and equipment		515,326	-
Net cash used in investing activities		(53,801,336)	(54,382,534)
FINANCING ACTIVITIES			
Long-terms loans proceeds		108,099,724	92,070,469
Long-terms loans repaid		(85,251,857)	(105,508,262)
Dividends paid		(150,366)	(116,777)
Net movement in non-controlling interest		-	(156,001)
Payments of lease liabilities		(7,957,330)	(17,547,286)
Financial charges paid		(12,018,467)	(14,285,068)
Net cash from / (used in) financing activities		2,721,704	(45,542,925)
Net increase / (decrease) in cash and cash equivalents		365,736	(13,137,276)
Cash and cash equivalents at 1 January		91,647,932	94,828,467
Cash and cash equivalents at the end of the period	5	92,013,668	81,691,191
NON-CASH TRANASCATIONS:			
Finance cost on lease capitalized in projects under construction		452,585	-
Depreciation of right of use assets capitalized in projects under construction		159,137	-

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)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
30 June 2022

1 ACTIVITIES

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 interim condensed 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 June 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) 30 June 2022

1 ACTIVITIES (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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

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 interim condensed consolidated 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.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB’s Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in significant accounting policies (continued)

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.

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.

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

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

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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Standards issued but not yet effective

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.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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 basis. 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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES (CONTINUED)

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.

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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

4 OPERATING SEGMENTS (CONTINUED)

Following is a summary of certain financial information for the two periods ended 30 June 2022 and 2021:

30 June 2022						
SR	<i>Hospitality</i>	<i>Property management</i>	<i>Property rental</i>	<i>Others</i>	<i>Eliminations</i>	<i>Total</i>
Revenue from external customers	205,815,396	1,345,121	63,283,082	-	-	270,443,599
Inter-segment revenue	1,360,000	9,761,129	3,706,786	-	(14,827,915)	-
Cost of revenue	204,529,853	2,169,892	23,805,645	-	(14,625,415)	215,879,975
Gross profit	2,645,543	8,936,358	43,184,223	-	(202,500)	54,563,624
Depreciation of property and equipment and right of use assets	45,769,093	-	11,972,183	-	-	57,741,276
Property and equipment	1,785,834,621	-	884,551,384	-	-	2,670,386,005
Right of use assets	189,942,138	-	18,984,228	-	-	208,926,366
Projects under construction	115,690,517	-	28,012,618	-	-	143,703,135
Total assets	1,062,674,475	6,037,746	1,695,179,135	644,975,265	-	3,408,866,621
Total liabilities	1,556,588,215	14,211,038	146,314,383	871,223	-	1,717,984,859
30 June 2021						
SR	<i>Hospitality</i>	<i>Property management</i>	<i>Property rental</i>	<i>others</i>	<i>Eliminations</i>	<i>Total</i>
Revenue from external customers	151,860,432	802,684	61,078,904	-	-	213,742,020
Inter-segment revenue	1,505,961	7,839,352	3,217,861	-	(12,563,174)	-
Cost of revenue	187,039,003	1,654,466	22,354,819	-	(12,315,674)	198,732,614
Gross profit / (loss)	(33,672,610)	6,987,570	41,941,946	-	(247,500)	15,009,406
Depreciation of property and equipment and right of use assets	45,809,121	-	11,378,199	-	-	57,187,320
Property and equipment	1,784,855,835	28,693	904,189,681	-	-	2,689,074,209
Right of use assets	249,260,779	-	19,428,125	-	-	268,688,904
Projects under construction	127,396,146	-	5,727,062	-	-	133,123,208
Total assets	1,222,064,360	4,052,784	1,568,020,881	646,332,823	-	3,440,470,848
Total liabilities	1,585,571,911	10,792,116	147,847,494	983,169	-	1,745,194,690

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

	<i>For the six-month period ended 30 June</i>	
	2022	2021
	SR	SR
Segments gross profit	54,563,624	15,009,406
Un-allocated amounts:		
Selling and marketing expenses	(1,544,260)	(519,023)
General and administrative expenses	(20,975,725)	(12,338,218)
Financial income	27,870	33,358
Financial charges	(17,685,045)	(11,607,943)
Financial charges on lease liabilities	(6,979,074)	(7,147,554)
Other income, net	2,960,977	16,941,419
Share of results of equity accounted investees	593,556	-
Total un-allocated amounts	(43,601,701)	(14,637,961)
Income before Zakat	10,961,923	371,445

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

5 CASH AND CASH EQUIVALENTS

	<i>30 June 2022 SR</i>	<i>31 December 2021 SR</i>
Bank balances	85,264,432	73,860,474
Short-term deposits (a)	6,000,000	17,000,000
Cash on hand	749,236	787,458
	92,013,668	91,647,932

- (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 107 basis points. Financial income for the six month period ended 30 June 2022 amounted SR 27,870 (30 June 2021: SR 33,358).
- (b) As at 30 June 2022, the Group has available cash facilities amounting SR 229.8 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 33.54 million as of 30 June 2022 (31 December 2021: SR 20.83 million) with the financial institution. Further, an amount of SR 3.01 million (31 December 2021: nil) is received in one of the bank accounts of the Group in relation to these arrangements. The Group did not use or account for either of these amounts.

6 TRADE RECEIVABLES

	<i>30 June 2022 SR</i>	<i>31 December 2021 SR</i>
Trade receivables	183,009,762	170,475,362
Provision for expected credit loss	(28,122,254)	(25,233,972)
	154,887,508	145,241,390

Movement in provision for expected credit loss as of 30 June 2022 and 31 December 2021 is as follow:

	<i>30 June 2022 SR</i>	<i>31 December 2021 SR</i>
At 1 January	25,233,972	26,445,793
Charge for the period/year	3,235,012	738,991
Recovered during the period/year	(346,730)	(1,473,173)
Bad debts written off during the period/year	-	(477,639)
At the end of the period/year	28,122,254	25,233,972

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	<i>30 June 2022 SR</i>	<i>31 December 2021 SR</i>
Advance for rent (note (a))	58,818,607	58,818,607
Prepayments	11,731,086	10,978,260
Contract assets	5,980,753	5,769,217
Advances to suppliers	5,401,703	2,034,216
Amounts due from related parties	3,874,991	3,710,899
Advances to employees	3,011,314	3,310,210
Advance payment for real estate projects	1,796,104	1,796,104
Others	12,943,114	8,684,662
	103,557,672	95,102,175

- (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 30 June 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.

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>30 June 2022</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Total SR</i>
Cost:			
At 1 January	54,973,553	221,127,829	276,101,382
Lease adjustments (a)	-	(13,718,830)	(13,718,830)
At 30 June	54,973,553	207,408,999	262,382,552
Depreciation:			
At 1 January	5,710,560	40,829,714	46,540,274
Charge for the period	1,192,184	5,723,728	6,915,912
At 30 June 2022	6,902,744	46,553,442	53,456,186
Net book value:			
As at 30 June 2022	48,070,809	160,855,557	208,926,366

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

8 RIGHT OF USE ASSETS (CONTINUED)

	<i>Lands</i>	<i>Buildings</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
31 December 2021			
Cost:			
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)
	<hr/>	<hr/>	<hr/>
As at 31 December 2021	54,973,553	221,127,829	276,101,382
Depreciation:			
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)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	5,710,560	40,829,714	46,540,274
Net book value:			
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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)
30 JUNE 2022

9 PROPERTY AND EQUIPMENT

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

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

30 June 2022	<i>Lands SR</i>	<i>Building SR</i>	<i>Building improvements SR</i>	<i>Furniture SR</i>	<i>Motor vehicles SR</i>	<i>Machinery and equipment SR</i>	<i>Elevators and central air conditioning SR</i>	Total SR
Cost:								
At 1 January	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
Addition	-	2,521,000	1,927,827	1,865,585	36,450	3,983,192	148,250	10,482,304
Disposal	-	-	-	(14,352,616)	(450,096)	(551,619)	-	(15,354,331)
At 30 June 2022	<u>744,072,519</u>	<u>2,176,463,670</u>	<u>144,265,145</u>	<u>390,971,042</u>	<u>7,370,032</u>	<u>191,085,240</u>	<u>114,962,191</u>	<u>3,769,189,839</u>
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	-	20,941,340	5,529,101	13,169,390	107,670	9,534,113	1,702,887	50,984,501
Disposal	-	-	-	(13,859,766)	(450,096)	(442,497)	-	(14,752,359)
At 30 June 2022	<u>-</u>	<u>597,593,166</u>	<u>99,403,921</u>	<u>265,303,533</u>	<u>6,694,150</u>	<u>88,129,160</u>	<u>41,679,904</u>	<u>1,098,803,834</u>
Net book value:								
As at 30 June 2022	<u>744,072,519</u>	<u>1,578,870,504</u>	<u>44,861,224</u>	<u>125,667,509</u>	<u>675,882</u>	<u>102,956,080</u>	<u>73,282,287</u>	<u>2,670,386,005</u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (Continued)
30 JUNE 2022

9 PROPERTY AND EQUIPMENT (CONTINUED)

<i>31 December 2021</i>	<i>Lands</i>	<i>Buildings</i>	<i>Building improvements</i>	<i>Furniture</i>	<i>Motor vehicles</i>	<i>Machinery and equipment</i>	<i>Elevators and central air conditioning</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cost:								
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	<u>744,072,519</u>	<u>2,173,942,670</u>	<u>142,337,318</u>	<u>403,458,073</u>	<u>7,783,678</u>	<u>187,653,667</u>	<u>114,813,941</u>	<u>3,774,061,866</u>
Accumulated depreciation								
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	<u>-</u>	<u>576,651,826</u>	<u>93,874,820</u>	<u>265,993,909</u>	<u>7,036,576</u>	<u>79,037,544</u>	<u>39,977,017</u>	<u>1,062,571,692</u>
Net Book Value:								
As at 31 December 2021	<u>744,072,519</u>	<u>1,597,290,844</u>	<u>48,462,498</u>	<u>137,464,164</u>	<u>747,102</u>	<u>108,616,123</u>	<u>74,836,924</u>	<u>2,711,490,174</u>

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

10 PROJECTS UNDER CONSTRUCTION

Movement of projects under construction:

	<i>For the six-month period ended 30 June 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	48,196,080	26,110,904
Transfers to property and equipment (note 9)	-	(55,550,309)
At the end of the period/year	<u>143,703,135</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>30 June 2022 SR</i>	<i>31 December 2021 SR</i>
Contract liabilities	74,351,217	67,504,337
Payable to contractors	22,162,296	24,877,518
Retentions payable	14,917,450	14,453,636
Accrued staff benefits	16,651,554	17,557,874
Accrued utilities and other services	13,582,542	14,913,370
Accrued professional fees and other services	3,799,213	8,688,330
Others	8,569,971	13,593,231
	<u>154,034,243</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 1,040 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 30 June 2022 and 31 December 2021.

Following is a summary of the loans:

	<i>30 June 2022 SR</i>	<i>31 December 2021 SR</i>
Term loans – current portion	263,501,876	271,761,088
Term loans – non-current portion	776,617,654	745,510,575
	<u>1,040,119,530</u>	<u>1,017,271,663</u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

13 LEASE LIABILITIES

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

	<i>For the six-month period ended 30 June 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
At the beginning of the period/year	345,652,935	385,880,458
Additions	-	19,809,907
Lease adjustment	(13,718,830)	(56,348,028)
Interest	7,431,659	14,632,885
Payments	(7,957,330)	(18,322,287)
COVID-19 related rent concession	(251,035)	-
	<hr/>	<hr/>
At the end of the period/year	331,157,399	345,652,935
	<hr/>	<hr/>
<i>The present value of the net lease payments is as follows:</i>		
Current	27,116,616	43,343,159
Non-current	304,040,783	302,309,776

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

	<i>For the six-month period ended 30 June 2022 SR</i>	<i>30 June 2021 SR</i>
Depreciation expense of right-of-use assets	6,756,775	8,106,639
Financial charges on lease liabilities	6,979,074	7,147,554
	<hr/>	<hr/>
Total amount recognized in interim condensed consolidated statement of comprehensive income	13,735,849	15,254,193
	<hr/>	<hr/>

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 six-month period ended 30 June 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
At the beginning of the period/year	13,662,198	13,323,298
Provided during the period/year	3,060,999	9,312,287
Paid during the period/year	(7,026,713)	(8,973,387)
	<hr/>	<hr/>
At the end of the period/year	9,696,484	13,662,198
	<hr/>	<hr/>

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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

14 ZAKAT (CONTINUED)

Zakat status (continued):

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. During May 2022, ZATCA appealed to Appeal Committee for Tax Violations and Disputes Resolution (“ACTVDR”) against GSTC decision. The Company has submitted its response to ACTVDR within the timelines and is waiting for the outcome.

ZATCA issued zakat assessment for the year 2019, which resulted in zakat differences of SR 3.03 million. The Company has paid all the unobjectionable amounts aggregating SR 1.2 million and raised objections to the rest of the items in dispute. This resulted in the issuance of an amended assessment by ZATCA with an amount due of SR 1.04 million. The Company filed an objection with the GSTC to consider the items under objection. The Committee for Resolution of Tax Violations and Disputes “CRTVD” issued its decision and rejected the Company’s objection. The Company is in process of appealing to the Appellate Committee for Tax Violations and Disputes Resolution “ACTVDR”.

ZATCA also issued zakat assessment for the year 2020, which resulted in zakat differences of SR 2.11 million. The Company paid all the unobjectionable amounts amounting to SR 1.76 million and objected to the rest of the items in dispute. After ZATCA studied the objection, ZATCA issued its amended assessment, which included the acceptance of all the items objected to by the Company, thus canceling all zakat obligations related to the year 2020.

ZATCA issued zakat assessments for the subsidiaries for all the years up to 2018.

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 30 June 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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

18 COST OF REVENUE

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Salaries and benefits	44,633,740	39,832,334	88,541,831	79,208,741
Depreciation of property and equipment and right of use assets	28,238,389	27,027,789	57,054,696	54,584,495
Operating supplies	5,698,652	11,187,099	16,217,825	21,487,366
Food and beverage	7,084,061	6,847,515	16,438,799	12,935,379
Utilities	6,486,738	6,339,681	12,249,899	11,587,146
Repair and maintenance	3,940,030	3,088,296	6,688,640	5,626,378
Service and operation fees	2,260,715	2,496,054	4,848,894	3,469,876
Advertising and promotion activities	4,026,614	2,555,707	8,079,081	5,289,386
Commission for travel agencies and credit cards	1,482,258	1,239,262	3,221,868	2,917,171
Security and guarding	130,262	238,896	294,862	409,479
Others	1,439,966	487,681	2,243,580	1,217,197
	105,421,425	101,340,314	215,879,975	198,732,614

19 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Salaries and other employee benefits	6,022,599	4,951,435	11,424,071	9,738,228
Provision / (reversal) for expected credit loss (note 6)	241,298	(217,180)	2,888,282	(3,671,381)
Professional fee	554,917	453,236	1,111,949	951,358
Board of Director remuneration	1,230,870	1,149,750	2,118,370	2,024,500
Subscription	553,075	593,993	1,282,874	1,009,559
Depreciation of property and equipment	344,190	663,176	686,580	1,379,524
Hospitalities	122,526	79,533	556,892	191,839
Others	409,975	382,008	906,707	714,591
	9,479,450	8,055,951	20,975,725	12,338,218

20 OTHER INCOME, NET

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Accrual no longer required	-	-	2,220,155	5,000,000
COVID-19 related rent concession	251,035	-	251,035	-
Income from settlement with a contractor	-	-	-	9,120,000
Reimbursement from ZATCA	-	1,799,088	-	1,799,088
Others, net	384,187	883,456	489,787	1,022,331
	635,222	2,682,544	2,960,977	16,941,419

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

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>30 June</i> 2022 SR	<i>30 June</i> 2021 SR
Earnings for the period attributable to the equity holders of the Parent	8,220,517	(1,869,361)
Weighted average number of outstanding shares	100,000,000	100,000,000
Basic and diluted earnings per share	0.08	(0.02)

22 COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 June 2022, the Group has entered into capital commitments of SR 333.4 million (31 December 2021: SR 117.8) related to its capital work in progress.

Contingencies

- a) As at 30 June 2022, the Group had issued outstanding letters of guarantee amounting to SR 29.31 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 six months period ended 30 June 2022, may not necessarily be indicative of the annual results of the Group.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

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, trade 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>30 June 2022 SR</i>	<i>31 December 2021 SR</i>
Financial assets carried at fair value		
Investments at fair value through other comprehensive income (FVOCI)	2,101,657	2,101,657
Financial assets carried at amortized cost		
Cash and cash equivalents	92,013,668	91,647,932
Trade receivables	154,887,508	145,241,390
Due from related parties	3,874,991	3,710,899
Total financial assets carried at amortized cost	250,776,167	240,600,221
Total financial asset	252,877,824	242,701,878
Total current financial assets	250,776,167	240,600,221
Total non-current financial assets	2,101,657	2,101,657
Total financial asset	252,877,824	242,701,878

b) Financial liabilities

	<i>30 June 2022 SR</i>	<i>31 December 2021 SR</i>
Financial liabilities carried at amortised cost		
Trade Payable	39,765,257	41,327,895
Term loans	1,040,119,530	1,017,271,663
Due to related parties	36,420,847	37,158,747
Dividends payable	43,788,928	43,939,294
Total financial liabilities carried at amortised cost	1,160,094,562	1,139,697,599
Total current financial liabilities	383,476,908	394,187,024
Total non-current financial liabilities	776,617,654	745,510,575
Total financial liabilities carried at amortised cost	1,160,094,562	1,139,697,599

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
30 June 2022

25 SIGNIFICANT EVENTS

The Covid-19 pandemic has now shown signs of easing as the Government of Saudi Arabia has lifted travel bans, cancelled lockdowns and eased quarantine measures. At the same time Covid-19 may continue to affect companies and economies. Many entities are still dealing with lost revenue and disrupted supply chains.

The lifting of restrictions has impacted the Group's business positively, however, the financial impact of the Covid-19 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 period. 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 six month period ended 30 June 2022.

27 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 20 Muharram 1444H (corresponding to 18 August 2022).