

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

31 March 2021

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the period ended 31 March 2021

<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 – 19



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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 2021, 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 (19.C) to the interim condensed consolidated financial statements, the Company is disputing the validity of two interest rate swap agreements ("the agreements") with a local financial institution. The Company filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for the Resolution of Securities Disputes (the "Committee") in the Kingdom of Saudi Arabia. As at 31 March 2021, the Lawsuit is still at preliminary stage at the Committee and the potential outcome of this Lawsuit cannot be reasonably estimated at this stage. The related mark to market loss of SR 75.1 million, arising from these derivative transactions, has not been accounted for in these interim condensed consolidated financial statements. Had these losses been accounted for in the interim condensed consolidated financial statements, the net income for the period would be higher by SR 15.6 million and net equity as at 31 March 2021 would be lower by SR 75.1 million.

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


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

Riyadh: 27 Ramadan 1442H
(9 May 2021)



Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	31 MARCH 2021 (Unaudited) SR	31 December 2020 (Audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	122,446,464	94,828,467
Trade receivables	6	115,463,863	116,940,868
Prepayment and other current assets	7	100,137,542	130,722,204
Inventories		19,278,943	18,820,195
TOTAL CURRENT ASSETS		357,326,812	361,311,734
NON-CURRENT ASSETS			
Investments at fair value through other comprehensive income (FVOCI)		1,942,322	1,942,322
Investments in equity accounted investees		12,570,128	12,570,128
Right of use assets	8	254,798,520	279,408,479
Property and equipment	9	2,715,366,145	2,698,425,010
Projects under construction	10	129,924,258	124,946,460
TOTAL NON-CURRENT ASSETS		3,114,601,373	3,117,292,399
TOTAL ASSETS		3,471,928,185	3,478,604,133
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payable		39,502,189	36,368,079
Accruals and other current liabilities	11	175,164,076	169,247,660
Due to related parties		37,650,647	37,974,216
Term loans – current portion	12	174,534,943	209,537,984
Dividends payables	16	44,208,770	44,259,209
Lease liabilities - current portion	13	31,637,420	29,433,114
Provision for zakat	14	14,502,597	13,323,298
TOTAL CURRENT LIABILITIES		517,200,642	540,143,560
NON-CURRENT LIABILITIES			
Term loans – non-current portion	12	864,817,685	824,367,448
Provision for employees' terminal benefits		58,850,467	59,915,810
Lease liabilities – non-current portion	13	332,076,074	356,447,344
TOTAL NON-CURRENT LIABILITIES		1,255,744,226	1,240,730,602
TOTAL LIABILITIES		1,772,944,868	1,780,874,162
EQUITY			
Share capital	15	1,000,000,000	1,000,000,000
Statutory reserve		500,000,000	500,000,000
Consensual reserve		143,002,490	143,002,490
Retained earnings		3,260,018	1,384,928
Revaluation reserve of investment at FVOCI		(5,057,678)	(5,057,678)
Total equity attributable to shareholders of the parent company		1,641,204,830	1,639,329,740
NON-CONTROLLING INTERESTS		57,778,487	58,400,231
TOTAL EQUITY		1,698,983,317	1,697,729,971
TOTAL LIABILITIES AND EQUITY		3,471,928,185	3,478,604,133

The accompanying notes 1 to 23 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>Notes</i>	For the three-month period ended	
		2021 SR (Unaudited)	2020 SR (Unaudited)
Revenues			
Hospitality income		69,690,734	109,177,580
Rental income		30,180,478	30,219,562
Management fees		309,625	516,756
Total revenue		100,180,837	139,913,898
DIRECT COSTS		(97,392,300)	(107,202,351)
Gross Profit		2,788,537	32,711,547
Expenses			
Selling and marketing		(294,028)	(369,553)
General and administrative		(4,282,267)	(11,303,740)
TOTAL EXPENSES		(4,576,295)	(11,673,293)
OPERATING (LOSS) INCOME		(1,787,758)	21,038,254
Financial charges on term loans	12	(5,758,286)	(6,635,371)
Financial charges on lease liabilities	13	(4,034,678)	(4,111,875)
Financial income		24,905	206,610
Other income, net	17	14,258,875	1,607,827
Income before Zakat		2,703,058	12,105,445
Zakat	14	(1,371,712)	(1,417,500)
NET INCOME FOR THE PERIOD		1,331,346	10,687,945
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,331,346	10,687,945
Attributable to:			
Equity holders of the Parent		1,875,090	10,869,134
Non-controlling interests		(543,744)	(181,189)
		1,331,346	10,687,945
EARNINGS PER SHARE (EPS)			
Basic and diluted earnings per share attributable to equity holders of the parent	18	0.02	0.11

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three-month period ended 31 March

	Notes	Share capital SR	Statutory reserve SR	Consensual reserve SR	Retained earnings SR	Revaluation reserve of investment at FVOCI SR	Proposed dividends SR	Total SR	Non- controlling interests SR	Total Equity SR
For the three-month period ended 31 March 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 income for the period		-	-	-	1,875,090	-	-	1,875,090	(543,744)	1,331,346
Net movement during the period		-	-	-	-	-	-	-	(78,000)	(78,000)
As at 31 March 2021 (Unaudited)		1,000,000,000	500,000,000	143,002,490	3,260,018	(5,057,678)	-	1,641,204,830	57,778,487	1,698,983,317
For the three-month periods ended 31 March 2020										
At 1 January 2020 (audited)		1,000,000,000	500,000,000	143,002,490	98,399,490	-	-	1,741,401,980	50,346,543	1,791,748,523
Total comprehensive income for the period		-	-	-	10,869,134	-	-	10,869,134	(181,189)	10,687,945
Dividends distributed	16	-	-	-	(50,000,000)	-	50,000,000	-	-	-
At 31 March 2020 (unaudited)		1,000,000,000	500,000,000	143,002,490	59,268,624	-	50,000,000	1,752,271,114	50,165,354	1,802,436,468

The accompanying notes 1 to 23 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

		For the three-month period ended	
		2021	2020
	<i>Notes</i>	SR	SR
		(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Income before zakat		2,703,058	12,105,445
Adjustments for:			
Provision for expected credit losses, net	6	(3,454,201)	1,954,992
Depreciation of right of use assets	8	3,955,604	4,504,960
Depreciation of property and equipment	9	24,545,419	20,678,205
Slow moving inventories		-	295,834
Employees' end of service benefits		3,927,810	2,781,129
Financial charges on term loans		5,758,286	6,635,371
Financial charges on lease liabilities		4,034,678	4,111,875
		41,470,654	53,067,811
Changes in operating asset and liability:			
Trade receivables		4,931,206	10,665,443
Prepayment and other current assets		30,584,662	(18,517,871)
Advance for rent		-	821,807
Inventories		(458,748)	186,673
Trade payables		3,134,110	3,720,774
Accruals and other current liabilities		5,916,416	(8,505,087)
Due to related parties		(323,569)	593,295
Cash from operation		85,254,731	42,032,845
Zakat paid	14	(192,413)	-
Employee end of service benefits paid		(4,993,153)	(1,402,950)
Net cash flows from operating activities		80,069,165	40,629,895
INVESTING ACTIVITY			
Additions to property and equipment	9	(41,486,554)	(6,097,233)
Additions to projects under construction	10	(4,977,798)	(25,290,003)
Net cash flows used in an investing activity		(46,464,352)	(31,387,236)
FINANCING ACTIVITIES			
Proceeds (repayments) of term loans, net		5,447,196	(8,020,793)
Dividends payable to shareholders		(50,439)	-
Net movement in non-controlling interest		(78,000)	-
Payments of lease liabilities		(5,547,287)	(11,428,906)
Financial charges paid		(5,758,286)	(6,635,371)
Net cash flows used in financing activities		(5,986,816)	(26,085,070)
Net increase (decrease) in cash and cash equivalents		27,617,997	(16,842,411)
Cash and cash equivalents at the beginning of the period		94,828,467	135,680,579
Cash and cash equivalents at the end of the period		122,446,464	118,838,168

The accompanying notes 1 to 23 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)

31 MARCH 2021

1 GENERAL

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 Al-Masjid al-Nabawi. The Company carries out these activities directly or jointly with others jointly or separately.

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

<i>Subsidiary</i>	<i>Share capital (SR)</i>	<i>Direct and Indirect Ownership %</i>	
		<i>31 March 2021</i>	<i>31 December 2020</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 Ajjad Hotel in Makkah.

Saudi Hotel Services Company Limited

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

Alnakheel for Tourist Areas Company Limited

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

Dur Hospitality Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued) 31 MARCH 2021

1 GENERAL (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 2020). 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)
31 MARCH 2021

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and measurement

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended 31 December 2020.

These interim condensed consolidated financial statements are prepared under the historical cost. The interim condensed consolidated financial statements are presented in Saudi Riyals.

2.2 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

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

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

Unrealised gains and losses resulting from transactions between the inter-Group are eliminated upon preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Changes in significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but are not yet effective. Other several amendments and interpretations apply for the first time in 2021, but we do not have a material impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform -Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs addressing the effects of financial reporting upon the replacement of (IBOR) with an alternative nearly risk-free interest rate (an RFR).

The amendments include the following practical expedients:

- A practical expedient that requires contractual changes, or changes in cash flows that are directly required by reform, to be treated as changes in the variable interest rate, equivalent to the movement in the market rate of interest.
- Permit changes required by IBOR reform to be made to hedge the designations and hedge documents without discontinuing the hedging relationship.
- Provide a temporary relief for companies from having to separately meet specific requirements when an RFR instrument is designated as a hedge of the risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Company. The company intends to use practical expedients in future periods if they become applicable.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
31 MARCH 2021

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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
31 MARCH 2021

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 2021 and 2020:

31 March 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	69,690,734	309,625	30,180,478	-	-	100,180,837
Inter-segment revenue	2,072,977	2,802,915	1,608,868	-	(6,484,760)	-
Segments costs	(82,074,971)	(2,677,169)	(12,640,160)	-	-	(97,392,300)
Segments gross profit (loss)	(12,384,237)	(2,367,544)	17,540,318	-	-	2,788,537
Depreciation of property and equipment and right of use assets	21,582,455	-	5,685,589	1,232,979	-	28,501,023
Property and equipment	995,301,438	-	1,623,025,313	97,039,394	-	2,715,366,145
Right of use assets	237,352,654	-	17,445,866	-	-	254,798,520
Projects under construction	87,976,615	-	41,947,643	-	-	129,924,258
Segment total assets	1,905,064,885	-	1,479,327,805	87,535,495	-	3,471,928,185
Segment total liabilities	275,832,182	-	1,497,112,686	-	-	1,772,944,868
31 March 2020						
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	109,177,580	516,756	30,219,562	-	-	139,913,898
Inter-segment revenue	2,052,244	2,823,606	1,608,910	-	(6,484,760)	-
Segments costs	(96,801,810)	(1,104,898)	(9,295,643)	-	-	(107,202,351)
Segments gross profit (loss)	12,375,770	(588,142)	20,923,919	-	-	32,711,547
Depreciation of property and equipment and right of use assets	19,070,001	-	5,023,718	1,089,446	-	25,183,165
Property and equipment	909,074,460	-	1,482,416,084	88,632,480	-	2,480,123,024
Right of use assets	271,859,897	-	19,982,213	-	-	291,842,110
Projects under construction	230,265,450	-	112,228,473	-	-	342,493,923
Segment total assets	1,935,130,191	-	1,497,866,574	88,632,480	-	3,521,629,245
Segment total liabilities	272,382,524	-	1,446,810,253	-	-	1,719,192,777

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
31 MARCH 2021

4 OPERATING SEGMENTS (Continued)

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

	For the three-month period ended	
	2021 SR	2020 SR
Segments gross profit	2,788,537	32,711,547
Un-allocated amounts:		
Selling and Marketing expenses	(294,028)	(369,553)
General and administrative expenses	(4,282,267)	(11,303,740)
Financial income	24,905	206,610
Financial charge	(5,758,286)	(6,635,371)
Financial charges on lease liabilities	(4,034,678)	(4,111,875)
Other income, net	14,258,875	1,607,827
	<u>(85,479)</u>	<u>(20,606,102)</u>
Income before Zakat	<u><u>2,703,058</u></u>	<u><u>12,105,445</u></u>

5 CASH AND CASH EQUIVALENTS

	31 March 2021 SR	31 December 2020 SR
Bank Balance	115,414,635	77,916,977
Short-term deposits (a)	6,056,000	16,000,000
Cash on hands	975,829	911,490
	<u><u>122,446,464</u></u>	<u><u>94,828,467</u></u>

(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 25 basis points. Financial income for the period ended 31 March 2021 amounted SR 24,905 (2020: SR 206,610).

(b) As at 31 March 2021, the Group has available cash on hand amounting SR 256.5 million including unwithdrawn cash from the cash facility granted.

(c) The transactions mentioned in note (19-C), include US dollar bank account amounting to SR 842 thousand as of 31 March 2021 with the financial institution and the company did not use it or account for it.

6 TRADE RECEIVABLES

	31 March 2021 SR	31 December 2020 SR
Trade receivables	138,455,453	143,386,661
Provision for credit losses	(22,991,590)	(26,445,793)
	<u><u>115,463,863</u></u>	<u><u>116,940,868</u></u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
31 MARCH 2021

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 March 2021 SR	31 December 2020 SR
Advance for rent (note (a) below)	58,818,607	58,818,607
Prepayments	14,949,902	12,565,446
Advance payment for real estate projects	5,383,841	5,383,841
Supplier advances	5,334,818	37,326,870
Employees' advances	3,222,464	2,977,907
Due from related parties	2,271,185	2,367,809
Others	10,156,725	11,281,724
	<u>100,137,542</u>	<u>130,722,204</u>

- (a) Advance for rent represents a payment to lease a hotel building in Makkah Al-Mukaramah for period of three and a half years. The Company terminated the lease contract during 2020 and the amount is being recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. The Company pledged the title deed to the hotel land owned by the lessor in favor of the Company.

8 RIGHT OF USE ASSETS

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

<i>31 March 2021</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Total SR</i>
Cost:			
At 1 January	54,974,210	258,865,070	313,839,280
Lease adjustments (note (a) below)	(3,617,956)	(17,036,399)	(20,654,355)
At 31 March	<u>51,356,254</u>	<u>241,828,671</u>	<u>293,184,925</u>
Depreciation:			
At 1 January	4,238,169	30,192,632	34,430,801
Charge for the period	486,905	3,468,699	3,955,604
At 31 March	<u>4,725,074</u>	<u>33,661,331</u>	<u>38,386,405</u>
Net Book Value:			
As at 31 March 2021	<u>46,631,180</u>	<u>208,167,340</u>	<u>254,798,520</u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
31 MARCH 2021

8 RIGHT OF USE ASSETS (Continued)

31 December 2020	<i>Lands</i> <i>SR</i>	<i>Buildings</i> <i>SR</i>	<i>Total</i> <i>SR</i>
Cost:			
At 1 January	51,342,270	263,671,549	315,013,819
Additions during the year	3,631,940	-	3,631,940
Lease adjustments	-	(4,806,479)	(4,806,479)
At 31 December	<u>54,974,210</u>	<u>258,865,070</u>	<u>313,839,280</u>
Depreciation:			
At 1 January	1,290,192	15,580,517	16,870,709
Charged for the year	2,947,977	14,612,115	17,560,092
At 31 December	<u>4,238,169</u>	<u>30,192,632</u>	<u>34,430,801</u>
Net book value:			
As at 31 December 2020	<u>50,736,041</u>	<u>228,672,438</u>	<u>279,408,479</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)
31 MARCH 2021

9 PROPERTY AND EQUIPMENT

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

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

<i>31 March 2021</i>	<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>	<i>Total SR</i>
Cost:								
At 1 January	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
Addition	5,650,000	30,219,659	349,127	3,082,288	-	2,185,480	-	41,486,554
At 31 March	<u>744,072,519</u>	<u>2,157,255,533</u>	<u>137,752,229</u>	<u>382,601,537</u>	<u>7,421,172</u>	<u>170,402,516</u>	<u>113,134,640</u>	3,712,640,146
Depreciation:								
At 1 January	-	532,794,363	89,707,338	243,725,507	6,943,661	63,171,011	36,386,702	972,728,582
Charge for the period	-	10,565,507	2,282,708	5,943,732	42,138	4,814,826	896,508	24,545,419
At 31 March	<u>-</u>	<u>543,359,870</u>	<u>91,990,046</u>	<u>249,669,239</u>	<u>6,985,799</u>	<u>67,985,837</u>	<u>37,283,210</u>	997,274,001
Net Book Value:								
As at 31 March 2021	<u>744,072,519</u>	<u>1,613,895,663</u>	<u>45,762,183</u>	<u>132,932,298</u>	<u>435,373</u>	<u>102,416,679</u>	<u>75,851,430</u>	<u>2,715,366,145</u>
31 December 2020								
Cost:								
At 1 January	738,422,519	1,940,405,492	121,035,645	345,570,237	7,291,889	120,482,739	107,291,738	3,380,500,259
Addition	-	9,216,855	2,367,457	3,230,671	129,283	14,561,413	485,700	29,991,379
Disposals	-	(583,837)	-	(1,797,898)	-	(237,967)	(69,940)	(2,689,642)
Transferred from projects under construction (note 10)	-	177,997,364	14,000,000	32,516,239	-	33,410,851	5,427,142	263,351,596
At 31 December	<u>738,422,519</u>	<u>2,127,035,874</u>	<u>137,403,102</u>	<u>379,519,249</u>	<u>7,421,172</u>	<u>168,217,036</u>	<u>113,134,640</u>	3,671,153,592
Depreciation:								
At the beginning of the year	-	495,248,368	81,886,199	223,528,949	6,783,210	47,749,492	32,821,869	888,018,087
Charge for the year	-	38,129,832	7,821,139	21,994,456	160,451	15,659,486	3,634,773	87,400,137
Disposals	-	(583,837)	-	(1,797,898)	-	(237,967)	(69,940)	(2,689,642)
At 31 December	<u>-</u>	<u>532,794,363</u>	<u>89,707,338</u>	<u>243,725,507</u>	<u>6,943,661</u>	<u>63,171,011</u>	<u>36,386,702</u>	972,728,582
Net Book Value:								
As at 31 December 2020	<u>738,422,519</u>	<u>1,594,241,511</u>	<u>47,695,764</u>	<u>135,793,742</u>	<u>477,511</u>	<u>105,046,025</u>	<u>76,747,938</u>	<u>2,698,425,010</u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
31 MARCH 2021

10 PROJECTS UNDER CONSTRUCTION

Movement of projects under construction:

	<i>For the three- month period ended 31 March 2021 SR</i>	<i>For the year ended 31 December 2020 SR</i>
At the beginning of the period/year	124,946,460	319,425,744
Additions during the period/year	4,977,798	68,872,312
Transfers to property and equipment (note 9)	-	(263,351,596)
At the end of the period/year	<u>129,924,258</u>	<u>124,946,460</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.
- (b) Transfers into property and equipment during the year ended 31 December 2020 mainly represent the cost of construction of Holiday Inn Al-Jubail building, Tuwaiq residential project, Al-Wadi Residential Project and renovation of the Marriott Airport Hotel and Al takhassusi Plaza.
- (c) The amount of borrowing costs capitalised for the year ended 31 March 2021 was SR 195.4 thousand (2020: SR 2.8 million). The rate used to determine the amount of borrowing costs eligible for capitalisation is the interest rate of the weighted average borrowings.

11 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>31 March 2021 SR</i>	<i>31 December 2020 SR</i>
Revenue received in advance	67,707,410	60,775,152
Payable to contractors	39,658,492	40,158,492
Payable retentions	21,751,019	23,092,253
Accrued staff benefits	17,946,622	18,890,906
Accrued service-related expenses	9,226,214	7,647,964
Other accrued expenses	17,874,319	18,682,893
	<u>175,164,076</u>	<u>169,247,660</u>

12 TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total value of SR 1,039 million (31 December 2020: SR 1,033 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by order notes and assignment of proceeds from Darraq project 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 2021 and 31 December 2020.

Following is a summary of the loans:

	<i>31 March 2021 SR</i>	<i>31 December 2020 SR</i>
Term loans – current portion	174,534,943	209,537,984
Term loans – non-current portion	864,817,685	824,367,448
	<u>1,039,352,628</u>	<u>1,033,905,432</u>

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
31 MARCH 2021

13 LEASE LIABILITIES

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

	<i>31 March 2021 SR</i>	<i>31 December 2020 SR</i>
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Within one year	5,161,125	27,994,118
One to five years	7,323,350	149,486,691
Later than five years	570,877,374	432,881,040
Total undiscounted lease liabilities	<u>583,361,849</u>	<u>610,361,849</u>

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

	<i>31 March 2021 SR</i>	<i>31 December 2020 SR</i>
<i>Lease liabilities included in the interim condensed consolidated statement of financial position</i>		
Current portion of obligations under leases	31,637,420	29,433,114
Noncurrent portion of obligations under leases	332,076,074	356,447,344
	<u>363,713,494</u>	<u>385,880,458</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:

	For the three- month period ended 31 March 2021 SR	For the Year ended 31 December 2020 SR
At the beginning of the period/year	13,323,298	13,169,475
Provided during the period/year	1,371,712	7,579,300
Paid during the period/year	(192,413)	(7,425,477)
At the end of the period/year	<u>14,502,597</u>	<u>13,323,298</u>

Zakat status:

The Company and its subsidiaries filed their Zakat returns with General Authority of Zakat and Income Tax (“GAZT”) for all years up to 2020 and paid the Zakat payable and obtained the unrestricted Zakat certificates.

The Company received the Zakat assessments for the years 2014 to 2018. Based on these assessments, the GAZT requested the Company to settle additional zakat payments amounting SR 4.9 million against which the Company appealed. During 2020, the GAZT issued its amended assessment for these years and requested the Company to settle SR 864 thousand. The Company appealed against the amended assessment and is still pending with the appeal committees of GAZT.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (Continued)
31 MARCH 2021

15 CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2020: 100 million shares of SR 10 each).

16 DIVIDENDS DECLARATION AND APPROVAL

On 18 February 2020, the Board of Directors recommended cash dividends of SR 50 million (SR 0.50 per share) for the year ended 31 December 2019, which was approved at the General Assembly in its meeting held on 26 April 2020.

As at 31 March 2021, current liabilities include the balance of dividends payable amounting to SR 44.2 million (2020: SR 44.3 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 OTHER INCOME, NET

	For the three-month period ended	
	31 March 2021 SR	31 March 2020 SR
Income from settlement with a contractor	9,120,000	-
Accrual no longer required	5,000,000	-
Demurrage charges	-	708,000
Recovery of bad debts previously written off	-	697,031
Others, net	138,875	202,796
	<u>14,258,875</u>	<u>1,607,827</u>

18 BASIC AND DILUTED EARNINGS PER SHARE

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

19 COMMITMENTS AND CONTINGENCIES

a. Capital commitments

For the three months periods ended 31 March 2021, the Group has entered into capital commitments of SR 641 million (31 December 2020: SR 639) related to its capital work in progress.

b. Contingencies

For the three months periods ended 31 March 2021, the Group had issued outstanding letters of guarantee amounting to SR 29.6 million (31 December 2020: SR 28.5 million). These guarantees are without cash margin.

c. Legal claim contingency

The Company is disputing the validity of the two Interest Rate Swap derivative agreements (“the agreements”) with a local financial institution and has accordingly not accounted for these agreements in these interim condensed consolidated financial statements. The Company filed a lawsuit (“the Lawsuit”) against the financial institution before the Committee for the Resolution of Securities Disputes (“the Committee”) and as of 31 March 2021, the Lawsuit was still under the review of the Committee. The potential outcome if this lawsuit cannot be reasonably estimated as this stage. However, according to the management and the legal counsel, believes that the final outcome of this Lawsuit will reassuringly result in revoking the agreements. Conversely, if there was an adverse decision related to the Lawsuit, the cumulative impact from the fair valuation of the agreements is estimated to reduce the Group net assets by SR 75.1 million as at 31 March 2021 (31 December 2020: SR 90.7 million). The Cumulative impact could be positively or negatively impacted according to the future changes in the fair value for these agreements.

20 INTERIM RESULTS

Interim results 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)
31 MARCH 2021

21 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 2021 SR</i>	<i>31 December 2020 SR</i>
Financial assets classified as available for sale		
Investments at fair value through other comprehensive income (FVOCI)	1,942,322	1,942,322
Financial assets carried at amortized cost		
Cash and cash equivalents	121,470,635	93,916,977
Trade receivables	115,463,863	116,940,868
Due from related parties	2,730,044	2,367,809
Total financial assets carried at amortized cost	239,205,683	213,225,654
Total financial asset	241,148,005	215,167,976
Total current financial assets	239,205,683	213,225,654
Total non-current financial assets	1,942,322	1,942,322
Total financial asset	241,148,005	215,167,976

b) Financial liabilities

	<i>31 March 2021 SR</i>	<i>31 December 2020 SR</i>
Financial liabilities carried at amortised cost		
Trade Payable	39,502,189	36,368,079
Accruals and other current liabilities	189,666,673	182,570,958
Term loans	1,039,352,628	1,033,905,432
Lease liabilities	363,713,494	385,880,458
Due to related parties	37,650,647	37,974,216
Dividends payables	44,208,770	44,259,209
Total financial liabilities carried at amortised cost	1,714,094,401	1,720,958,352
Total current financial liabilities	517,200,642	540,143,560
Total non-current financial liabilities	1,196,893,759	1,180,814,792
Total financial liabilities carried at amortised cost	1,714,094,401	1,720,958,352

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)
31 MARCH 2021

22 SIGNIFICANT EVENTS

Earlier in 2020, the existence of novel coronavirus (COVID-19) was confirmed and characterized as a pandemic by the World Health Organisation (WHO) during March 2020.

The government of Saudi Arabia, consistent with many other governments around the world introduced various measures to combat the outbreak, including travel restrictions, quarantines, curfews, closure of business and other venues and lockdown of certain areas. The Group witnessed drop in revenues and hotel occupancy rates once the curfew was implemented, however, occupancy rates started to increase once restrictions were lifted.

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 virus transmission rate, duration of the outbreak, advent of new waves of the virus, precautionary actions that may be taken by the authorities to control the spread and impact of those actions on economic activity, impact to the businesses of the Company's customers, etc.

Considering the challenges of the uncertainty around the extent and duration of business and economic impact, management is monitoring the situation with a continued focus on ensuring guest safety, sustainability of supply chain, maintenance of sufficient liquidity and safety of employees. Further, management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures.

In view of the above, management has made certain estimates and assumptions and any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in the future years. As the situation continues to evolve, management will continue to assess the impact based on prospective developments.

23 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 21 Ramadan 1442H (corresponding to 3 May 2021).