

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited)
30 June 2021

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the period ended 30 June 2021

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

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Dur Hospitality Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2021, the related interim condensed consolidated statement of comprehensive income for the three and six months periods ended 30 June 2021, the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed 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 (20.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 30 June 2021, the lawsuit is still with the Committee, and the final outcome of this lawsuit cannot currently be reliably predicted. The fair value losses from these agreements amounting to SR 69.7 million have 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 three and six-months periods ended 30 June 2021 would be higher by SR 5.4 million and SR 21 million, respectively and net equity as at 30 June 2021 would be lower by SR 69.7 million.

Qualified Conclusion:

Based on our review, except for the effect of the abovementioned matter, 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 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public accountant
License No. (354)

Riyadh: 9 Muharram 1443H
(17 August 2021)



Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) SR	31 December 2020 (audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	81,691,191	94,828,467
Trade receivables	6	128,632,819	116,940,868
Prepayment and other current assets	7	105,943,483	130,722,204
Inventories		18,792,334	18,820,195
TOTAL CURRENT ASSETS		335,059,827	361,311,734
NON-CURRENT ASSETS			
Investments at fair value through other comprehensive income (FVTOCI)		1,942,322	1,942,322
Investments in equity accounted investees	9	12,582,378	12,570,128
Right to use assets	8	268,688,904	279,408,479
Property and equipment	10	2,689,074,209	2,698,425,010
Projects under construction	11	133,123,208	124,946,460
TOTAL NON-CURRENT ASSETS		3,105,411,021	3,117,292,399
TOTAL ASSETS		3,440,470,848	3,478,604,133
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		40,271,399	36,368,079
Accrued and other current liabilities	12	160,215,460	169,247,660
Amounts due to related parties		37,573,867	37,974,216
Term loans - current portion	13	211,014,182	209,537,984
Dividend payable	17	44,142,432	44,259,209
Lease liabilities - current portion	14	22,357,464	29,433,114
Provision for zakat	15	10,565,886	13,323,298
TOTAL CURRENT LIABILITIES		526,140,690	540,143,560
NON-CURRENT LIABILITIES			
Term loans – non-current portion	13	809,381,839	824,367,448
Provision for employees’ terminal benefits		59,943,856	59,915,810
Lease liabilities – non-current portion	14	349,728,305	356,447,344
TOTAL NON-CURRENT LIABILITIES		1,219,054,000	1,240,730,602
TOTAL LIABILITIES		1,745,194,690	1,780,874,162
EQUITY			
Capital	16	1,000,000,000	1,000,000,000
Statutory reserve		500,000,000	500,000,000
Consensual reserve		143,002,490	143,002,490
(Accumulated losses) Retained earnings		(484,433)	1,384,928
Revaluation reserve of investment at fair value through OCI		(5,057,678)	(5,057,678)
Total equity attributable to shareholders of the Parent Company		1,637,460,379	1,639,329,740
Non-controlling interests		57,815,778	58,400,231
TOTAL EQUITY		1,695,276,157	1,697,729,971
TOTAL LIABILITIES AND EQUITY		3,440,470,848	3,478,604,133

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three and six months periods ended 30 June 2021

	Notes	<i>For the three-month period ended</i>		<i>For the six-month period ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
		SR	SR	SR	SR
Revenue					
Hospitality income		82,169,698	62,832,089	151,860,432	172,009,669
Rental income		30,898,426	29,723,992	61,078,904	59,943,554
Management fees		493,059	389,955	802,684	906,711
Total revenue		113,561,183	92,946,036	213,742,020	232,859,934
Direct costs		(101,340,314)	(79,779,163)	(198,732,614)	(186,981,514)
Gross Profit		12,220,869	13,166,873	15,009,406	45,878,420
Expenses					
Selling and marketing		(224,995)	(151,834)	(519,023)	(521,387)
General and administrative		(8,055,951)	(11,382,031)	(12,338,218)	(22,685,771)
TOTAL EXPENSES		(8,280,946)	(11,533,865)	(12,857,241)	(23,207,158)
OPERATING INCOME		3,939,923	1,633,008	2,152,165	22,671,262
Financial charges of term loans	13	(5,849,657)	(6,496,628)	(11,607,943)	(13,131,999)
Financial charges on lease liabilities		(3,112,876)	(3,762,094)	(7,147,554)	(7,873,969)
Finance income		8,453	108,570	33,358	315,180
Other income, net	18	2,682,544	382,259	16,941,419	1,990,085
Share of net results of investments in equity accounted investees		-	(638,937)	-	(638,937)
(Loss) income before zakat		(2,331,613)	(8,773,822)	371,445	3,331,622
Zakat	15	(1,297,546)	(1,555,502)	(2,669,258)	(2,973,002)
Net (loss) income for the period		(3,629,159)	(10,329,324)	(2,297,813)	358,620
Total comprehensive (loss) income for the period		(3,629,159)	(10,329,324)	(2,297,813)	358,620
Attributable to:					
Equity holders of the Parent		(3,744,451)	(9,928,359)	(1,869,361)	940,773
Non-controlling interests		115,292	(400,965)	(428,452)	(582,153)
		(3,629,159)	(10,329,324)	(2,297,813)	358,620
Earnings per share:					
Basic and diluted earnings per share attributable to equity holders of the parent	19	(0.04)	(0.10)	(0.02)	0.01

The accompanying notes 1 to 25 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 six-month period ended 30 June 2021

	Notes	Share Capital SR	Statutory reserve SR	Consensual reserve SR	(Accumulated losses)/Retai ned earnings SR	Revaluation reserve of investment at fair value through OCI SR	Total SR	Non- controlling interests SR	Total Equity SR
<u>For the six month period ended 30 June 2021</u>									
As at 31 December 2020 (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 for 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
<u>For the six months period ended 30 June 2020</u>									
As at 31 December 2019 (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		-	-	-	940,773	-	940,773	(582,153)	358,620
Net movement for the period		-	-	-	-	-	-	352,322	352,322
Dividends distributed	17	-	-	-	(50,000,000)	-	(50,000,000)	-	(50,000,000)
At 30 June 2020 (Unaudited)		1,000,000,000	500,000,000	143,002,490	49,340,263	-	1,692,342,753	50,116,712	1,742,459,465

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month period ended 30 June 2021

	Notes	<i>For the six-month period ended</i>	
		<i>30 June 2021</i> SR <i>(Unaudited)</i>	<i>30 June 2020</i> SR <i>(unaudited)</i>
OPERATING ACTIVITIES			
Income before zakat		371,445	3,331,622
Adjustments for:			
Provision for expected credit losses, net		(3,671,381)	5,068,937
Depreciation of right of use assets	8	8,106,639	8,433,656
Depreciation of property and equipment	10	49,080,681	43,016,357
Provision for slow moving inventories		29,860	556,240
Employees' end of service benefits		8,715,249	5,273,150
Financial charges of term loans		7,147,554	13,131,999
Financial charges on lease liabilities		11,607,943	7,873,969
Share of results of investments in equity accounted investees		-	638,937
		81,387,991	87,324,868
Changes in operating asset and liability:			
Trade receivables		(8,020,570)	(20,704,476)
Prepayment and other current assets		24,778,721	(10,148,972)
Advance for rent		-	821,807
Inventories		(1,999)	1,001,999
Trade payables		3,903,320	(5,957,632)
Accrued and other current liabilities		(2,355,730)	(18,820,514)
Amounts due to related parties		(400,349)	162,652
Cash from operation		99,291,384	33,679,728
Zakat paid	15	(5,426,670)	(134,545)
Employee end of service benefits paid		(7,076,530)	(4,900,891)
Net cash flows from operating activities		86,788,184	28,644,292
INVESTING ACTIVITIES			
Additions to property and equipment	10	(44,185,432)	(14,901,640)
Additions to projects under construction	11	(10,184,852)	(35,600,201)
Additions to investments in equity accounted investees	9	(12,250)	-
Net cash flows (used in) investing activities		(54,382,534)	(50,501,841)
FINANCING ACTIVITIES			
(Payments) proceeds of term loans, net		(13,437,793)	54,364,804
Dividends payable to shareholders		(116,777)	(50,000,000)
Net movement in non-controlling interest		(156,000)	(352,322)
Payments for Lease liabilities		(17,547,288)	(15,373,969)
Finance charges paid		(14,285,068)	(12,779,677)
Net cash flows (used in) financing activities		(45,542,926)	(24,141,164)
Net (decrease) in cash and cash equivalents		(13,137,276)	(45,998,713)
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		81,691,191	89,681,866

The accompanying notes 1 to 25 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 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:

<u>Subsidiaries</u>	<i>Share capital (SR)</i>	<i>Ownership (direct and indirect %)</i>	
		<i>30 June 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%	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	98.73%	98.73%
Nuzul Shada Hospitality Company	40,000,000	60%	60%
Tabuk Hotels Company Limited	27,300,000	97.14%	97.14%
Jude Alia Company Limited	100,000	99%	99%
Almasdar Alamny Company Limited	100,000	95%	95%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	95%	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	100%	100%
Dara Oasis Company Limited (One Person Company)	100,000	100%	100%
Almashrouat Almethaleyah Real Estate Company (One Person Company)	100,000	100%	100%
Alsarh Alaniq operation and maintenance Company (One Person Company)	100,000	100%	100%

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) 30 June 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 2019). The main activity of the company is cleaning of new buildings after construction.

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

30 June 2021

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and measurement

These interim condensed financial statements for the six-month period ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia.

The Company has prepared the interim condensed financial statements on the basis that it will continue to operate as a going concern. The directors are of the opinion that there are no material uncertainties that may affect this assumption. They concluded that there is a reasonable expectation that the Company has sufficient resources to continue in an operating existence for the foreseeable future, not less than 12 months after the end of the interim condensed financial statements period.

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 30 June 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 Company 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
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (CONTINUED)
30 June 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. 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.

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:

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

30 June 2021

4 OPERATING SEGMENTS (Continued)

- 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 30 June 2021 and 2020:

<i>30 June 2021</i>		<i>Property</i>	<i>Property</i>			
<i>SR</i>	<i>Hospitality</i>	<i>management</i>	<i>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	3,669,346	5,675,967	3,217,861	-	(12,563,174)	-
Segments costs	(172,928,956)	(9,753,464)	(16,050,194)	-	-	(198,732,614)
Segments gross (loss) profit	(21,068,524)	(8,950,780)	45,028,710	-	-	15,009,406
Depreciation of property and equipment and right of use assets	44,270,930	-	11,536,866	1,379,524	-	57,187,320
Property and equipment	991,350,789	-	1,602,472,621	95,250,799	-	2,689,074,209
Right to use assets	249,260,780	-	19,428,124	-	-	268,688,904
Projects under construction	90,095,312	-	43,027,896	-	-	133,123,208
Segment total assets	1,889,172,184	-	1,456,047,865	95,250,799	-	3,440,470,848
Segment total liabilities	274,621,810	-	1,470,572,880	-	-	1,745,194,690
<i>30 June 2020</i>		<i>Property</i>	<i>Property</i>			
<i>SR</i>	<i>Hospitality</i>	<i>management</i>	<i>rental</i>	<i>Others</i>	<i>Eliminations</i>	<i>Total</i>
Revenue from external customers	172,009,669	906,711	59,943,554	-	-	232,859,934
Inter-segment revenue	898,329	7,987,981	3,241,818	-	(12,128,128)	-
Segments costs	(167,559,368)	(2,143,187)	(17,278,959)	-	-	(186,981,514)
Segments gross profit (loss)	4,450,301	(1,236,476)	42,664,595	-	-	45,878,420
Depreciation of property and equipment and right of use assets	39,254,502	-	10,027,114	2,168,397	-	51,450,013
Property and equipment	909,329,770	-	1,469,889,443	87,370,069	-	2,466,589,282
Right to use assets	267,828,166	-	19,871,396	-	-	287,699,562
Projects under construction	238,771,269	-	114,032,852	-	-	352,804,121
Segment total assets	1,929,093,011	-	1,486,816,175	87,370,069	-	3,503,279,255
Segment total liabilities	277,080,558	-	1,483,739,232	-	-	1,760,819,760

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4 OPERATING SEGMENTS (Continued)

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

	<i>For the six-month period ended</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Segments gross profit	15,009,406	45,878,420
Un-allocated amounts:		
Selling and marketing expenses	(519,023)	(521,387)
General and administrative expenses	(12,338,218)	(22,685,771)
Finance charge	(11,607,943)	(13,131,999)
Financial charges on lease liabilities	(7,147,554)	(7,873,969)
Finance income	33,358	315,180
Other income, net	16,941,419	1,990,085
Share of net results of equity accounted investees	-	(638,937)
	<hr/>	<hr/>
Total un-allocated amounts	(14,637,961)	(42,546,798)
	<hr/>	<hr/>
Income before Zakat	371,445	3,331,622
	<hr/> <hr/>	<hr/> <hr/>

5 CASH AND CASH EQUIVALENTS

	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Bank balances	72,883,195	77,916,977
Short-term deposits (a)	8,000,000	16,000,000
Cash on hands	807,996	911,490
	<hr/>	<hr/>
	81,691,191	94,828,467
	<hr/> <hr/>	<hr/> <hr/>

(a) Short term deposits represent Murabaha deposits with local 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 30 June 2021 amounted SR 33,358 (2020: SR 315,180).

(b) As at 30 June 2021, the Group has available cash on hand amounting SR 250.5 million including unwithdrawn cash from the cash loans granted (31 December 2020: SR 307.5 million).

(c) The transactions mentioned in note (20-C) as at 30 June 2021, include a claim to settle an amount of US dollar SR 6.2 million from the financial institution and the Company did not recognize this claim in these interim condensed consolidated financial statements as it is disputing the validity of two interest rate swap agreements.

6 TRADE RECEIVABLES

	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Trade receivables	152,907,230	143,386,661
Provision for expected credit losses	(24,274,411)	(26,445,793)
	<hr/>	<hr/>
	128,632,819	116,940,868
	<hr/> <hr/>	<hr/> <hr/>

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7 PREPAYMENTS AND OTHER CURRENT ASSETS

	<i>30 June 2021 SR</i>	<i>31 December 2020 SR</i>
Advance for rent (note a below)	58,818,607	58,818,607
Prepayments	11,247,200	12,565,446
Amounts due from related parties	7,976,393	2,367,809
Supplier advances	7,934,896	37,326,870
Employees' advances	3,039,890	2,977,907
Advance payment for real estate projects	1,796,104	5,383,841
others	15,130,393	11,281,724
	105,943,483	130,722,204

- (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 is being recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. The title deed to the hotel land owned by the lessor is pledged for the benefit of the Company as a security for the advance.

8 RIGHT TO 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 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)
Additions during the period (note (b) below)	17,588,730	452,689	18,041,419
At 30 June	68,944,984	242,281,360	311,226,344
Depreciation:			
At 1 January	4,238,169	30,192,632	34,430,801
Charge for the period	1,386,991	6,719,648	8,106,639
At 30 June	5,625,160	36,912,280	42,537,440
Net Book Value:			
As at 30 June 2021	63,319,824	205,369,080	268,688,904

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8 RIGHT TO USE ASSETS (Continued)

<i>31 December 2020</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Total 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 (note (a) below)	-	(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 additions during the period represent the effect resulting from renting a new hotel building by the Company.

(c) 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.

9 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

Equity accounted investees:

	<i>30 June 2021 %</i>	<i>31 December 2020 %</i>	<i>30 June 2021 SR</i>	<i>31 December 2020 SR</i>
Saudi Company for Heritage Hospitality	25	25	8,427,839	8,427,839
Al Madinah Hotels Company limited	50	50	4,142,289	4,142,289
Al-Madina Tower Real Estate Company (*)	49	-	12,250	-
			<u>12,582,378</u>	<u>12,570,128</u>

(*) Dur Hospitality Company has entered into a partnership agreement with Awqaf Investment Company (the investment arm of the The General Authority for Awqaf), which provides for the formation of Al-Madina Tower Real Estate Company (the associate). The associate has leased a plot of land in the central area of Madinah from the General Authority for Awqaf for the purpose of developing it to establish a 5-star hotel, which will be operated by the hotel operating arm of Dur Hospitality Company under the "Makarem Brand". The project will be financed according to the contribution of each of the parties in the capital of the associate, provided that the financing will be according to the needs of the project in an amount not exceeding SR 250 million.

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10 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	5-10 years	Devices and equipment	5 - 10 years
Furniture	10 years	Elevators and central air conditioning	40 year

30 June 2021	<i>Lands</i> SR	<i>Buildings</i> SR	<i>Building improvements</i> SR	<i>Furniture</i> SR	<i>Motor vehicles</i> SR	<i>Machinery and equipment</i> SR	<i>Elevators and central air conditioning</i> SR	<i>Total</i> SR
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
Additions	5,650,000	30,219,659	1,222,167	3,316,315	-	3,773,821	3,470	44,185,432
Transferred from projects under construction (note 11)	-	-	-	1,762,565	-	245,539	-	2,008,104
Adjustments (a)	-	(6,676,468)	-	-	-	-	-	(6,676,468)
At 30 June	744,072,519	2,150,579,065	138,625,269	384,598,129	7,421,172	172,236,396	113,138,110	3,710,670,660
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	-	20,977,671	4,620,998	12,012,870	84,867	9,735,601	1,648,674	49,080,681
Adjustments (a)	-	(212,812)	-	-	-	-	-	(212,812)
At 30 June	-	553,559,222	94,328,336	255,738,377	7,028,528	72,906,612	38,035,376	1,021,596,451
Net Book Value:								
As at 30 June 2021	744,072,519	1,597,019,843	44,296,933	128,859,752	392,644	99,329,784	75,102,734	2,689,074,209

(a) During the period ended 30 June 2021, the Company re-estimated certain cost items of the projects.

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30 June 2021

10 PROPERTY AND EQUIPMENT (Continued)

<i>At 31 December 2020</i>	<i>Lands SR</i>	<i>Buildings 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	1,940,405,492	121,035,645	345,570,237	7,291,889	120,482,739	107,291,738	3,380,500,259
Additions	-	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 11)	-	177,997,364	14,000,000	32,516,239	-	33,410,851	5,427,142	263,351,596
At 31 December	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
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	-	532,794,363	89,707,338	243,725,507	6,943,661	63,171,011	36,386,702	972,728,582
Net Book Value: As at 31 December 2020	738,422,519	1,594,241,511	47,695,764	135,793,742	477,511	105,046,025	76,747,938	2,698,425,010

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11 PROJECTS UNDER CONSTRUCTION

Movement of projects under construction:

	<i>For the six- month period ended 30 June 2021</i>	<i>For the year ended At 31 December 2020</i>
	<i>SR</i>	<i>SR</i>
At beginning of period / year	124,946,460	319,425,744
Additions during the period/year	10,184,852	68,872,312
Transfers to property and equipment (note 10)	(2,008,104)	(263,351,596)
At end of period / year	133,123,208	124,946,460

- (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) The transfers to property and equipment during the period ended 30 June 2021 mainly represent the construction cost of the Shada Cordoba project.
- (c) Transfers into property and equipment during the year ended 31 December 2020 mainly represent the cost of construction of Holiday Inn Al-Jubail hotel building, Tuwaiq residential project, Al-Wadi Residential Project and renovation of the Marriott Airport Hotel and Al takhassusi Plaza.
- (d) The amount of borrowing costs capitalised for the period ended 30 June 2021 was SR 383 thousand (2020: SR 2.8 million) for the year ended 31 December 2020. The rate used to determine the amount of borrowing costs eligible for capitalization is the interest rate of the weighted average borrowings.

12 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>30 June 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Revenue received in advance	67,587,609	60,775,152
Payable to contractors	21,889,027	40,158,492
Payable retentions to contractors	19,556,085	23,092,253
Accrued staff benefits	17,621,347	18,890,906
Accrued service-related expenses	15,381,410	7,647,964
Other accrues expenses	18,179,982	18,682,893
	160,215,460	169,247,660

13 TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total value of SR 1.020 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 Group was compliant with the facility covenants as at 30 June 2021 and 31 December 2020.

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13 TERM LOANS (Continued)

Following is a summary of the term loans:

	<i>30 June 2021 SR</i>	<i>31 December 2020 SR</i>
Term loans – current portion	211,014,182	209,537,984
Term loans – non-current portion	809,381,839	824,367,448
	<u>1,020,396,021</u>	<u>1,033,905,432</u>

14 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>30 June 2021 SR</i>	<i>31 December 2020 SR</i>
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Within one year	18,600,896	27,994,118
One to five years	144,506,836	149,486,691
LATER THAN FIVE YEARS	414,226,645	432,881,040
Total undiscounted lease liabilities	<u>577,334,377</u>	<u>610,361,849</u>

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

	<i>30 June 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	22,357,464	29,433,114
Noncurrent portion of obligations under leases	349,728,305	356,447,344
	<u>372,085,769</u>	<u>385,880,458</u>

15 ZAKAT

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

Movement in zakat provision:

	<i>For the six- month period ended 30 June 2021 SR</i>	<i>For the Year ended 31 December 2020 SR</i>
At beginning of period / year	13,323,298	13,169,475
Provided during the period/year	2,669,258	7,579,300
Paid during the period/year	(5,426,670)	(7,425,477)
At end of period / year	<u>10,565,886</u>	<u>13,323,298</u>

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15 ZAKAT (Continued)

Zakat status:

The Company and its subsidiaries filed their Zakat returns with the Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2020 and paid the Zakat payable and obtained the unrestricted Zakat certificates.

The zakat status of the Company for the years up to 2018 has been finalized, with the exception of the amount of SR (861) thousand, which is related to the year 2015 and the company objected to the revised assessment raised by the ZATCA, which is still under the review with the General Secretariat of the Tax Committees.

16 SHARE 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).

17 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 30 June 2021, current liabilities include the balance of dividends payable amounting to SR 44.1 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.

18 OTHER INCOME, NET

	<i>For the six-month period ended</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>SR</i>	<i>SR</i>
Income from settlement with a contractor	9,120,000	-
Accruals no longer required	5,000,000	-
Reimbursement from ZATCA	1,799,088	-
Recovery of bad debts previously written off	-	742,685
Demurrage charges	-	708,000
Others, net	1,022,331	539,400
	16,941,419	1,990,085

19 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.

20 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

For the six months periods ended 30 June 2021, the Group has entered into capital commitments of SR 614 million (31 December 2020: SR 639 million) related to projects under construction.

(b) Contingencies

For the six month periods ended 30 June 2021, the Group had issued outstanding letters of guarantee amounting to SR 28.5 million (31 December 2020: SR 28.5 million). These guarantees are without cash margin.

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20 COMMITMENTS AND CONTINGENCIES (Continued)

(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 Securities Dispute Committee”) and as of 30 June 2021, the Lawsuit was still under the review of the Securities Dispute Committee. The final outcome if this lawsuit cannot be reasonably estimated at 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 between the Company and the financial institution. 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 69.7 million as of 30 June 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.

21 INTERIM RESULTS

Interim results may not necessarily be indicative of the annual results of the Group.

22 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 cash and cash equivalents, investments at fair value through other comprehensive income, trade receivables, amounts due from related parties, term loans, payables and amounts due to related parties, accrued expenses, other current liabilities and lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

a) Financial assets

	<i>30 June 2021 SR</i>	<i>31 December 2020 SR</i>
Financial assets classified as available for sale		
Investments at fair value through other comprehensive income (FVTOCI)	1,942,322	1,942,322
Financial assets carried at amortized cost		
Cash and cash equivalents	80,883,195	93,916,977
Trade receivables	128,632,819	116,940,868
Amounts due from related parties	7,976,393	2,367,809
Total financial assets carried at amortized cost	217,492,407	213,225,654
Total financial asset	219,434,729	215,167,976
Total current financial assets	217,492,407	213,225,654
Total non-current financial assets	1,942,322	1,942,322
Total financial asset	219,434,729	215,167,976

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22 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

b) Financial liabilities

	<i>30 June 2021 SR</i>	<i>31 December 2020 SR</i>
Financial liabilities carried at amortised cost		
Trade payables	40,271,399	36,368,079
Accrued and other current liabilities	160,215,460	169,247,660
Term loans	1,020,396,021	1,033,905,432
Lease liabilities	372,085,769	385,880,458
Amounts due to related parties	37,573,867	37,974,216
Dividend payable	44,142,432	44,259,209
	<u>1,674,684,948</u>	<u>1,707,635,054</u>
Total current financial liabilities	515,574,804	526,820,262
Total non-current financial liabilities	1,159,110,144	1,180,814,792
	<u>1,674,684,948</u>	<u>1,707,635,054</u>

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

23 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 Company 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.

24 SUBSEQUENT EVENTS

The Company's board of directors agreed on 2 Dhul Qa'adah 1442H (corresponding to 12 June 2021) to start initial discussions with Taiba Investments Company to study the merger of the two companies, noting that these discussions do necessarily mean that the merger process will take place between the two parties. In the event that the merger is agreed upon, it will be subject to the conditions and approvals of the relevant regulatory authorities in the Kingdom of Saudi Arabia and the approval of the extraordinary general assembly of both companies. The Company is currently in the process of appointing financial and legal advisors to assess the structure and feasibility of the proposed merger.

25 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 4 Muharram 1443H (corresponding to 12 August 2021).