

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

For the three months and six months periods ended 30 June 2023

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the period ended 30 June 2023

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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 2023, and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Board of Directors 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" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily from 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.

Conclusion:

Based on our review, 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 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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

Riyadh: 22 Muharram 1445H
(9 August 2023)



Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | | 30 June 2023 (Unaudited) SR | 31 December 2022 (Audited) SR |
|--|------|--------------------------------------|--|
| | Note | | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 101,493,156 | 85,347,614 |
| Trade receivables | 6 | 150,088,525 | 133,821,186 |
| Prepayments and other current assets | 7 | 84,983,456 | 89,176,047 |
| Inventories | | 23,166,036 | 21,774,628 |
| Derivative financial instrument | 8 | 109,916 | 109,916 |
| TOTAL CURRENT ASSETS | | 359,841,089 | 330,229,391 |
| NON-CURRENT ASSETS | | | |
| Investments at fair value through other comprehensive income (FVOCI) | | 2,520,084 | 2,520,084 |
| Investments in equity accounted investees | | 39,088,455 | 33,066,318 |
| Right of use assets | 9 | 195,084,673 | 201,999,960 |
| Property and equipment | 10 | 2,631,373,745 | 2,673,840,935 |
| Projects under construction | 11 | 280,198,315 | 175,213,850 |
| TOTAL NON-CURRENT ASSETS | | 3,148,265,272 | 3,086,641,147 |
| TOTAL ASSETS | | 3,508,106,361 | 3,416,870,538 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Term loans - current portion | 13 | 221,896,788 | 171,007,341 |
| Lease liabilities - current portion | 14 | 43,698,288 | 34,472,722 |
| Trade payables | | 30,866,192 | 24,798,564 |
| Accrued expenses and other current liabilities | 12 | 168,939,020 | 152,498,046 |
| Due to related parties | | 34,841,084 | 35,246,712 |
| Dividend payable | 17 | 43,652,117 | 43,659,810 |
| Provision for zakat | 15 | 6,691,779 | 11,205,828 |
| TOTAL CURRENT LIABILITIES | | 550,585,268 | 472,889,023 |
| NON-CURRENT LIABILITIES | | | |
| Term loans – non-current portion | 13 | 918,135,483 | 928,786,254 |
| Lease liabilities – non-current portion | 14 | 292,660,218 | 296,207,390 |
| Employees' terminal benefits | | 64,681,387 | 60,679,823 |
| TOTAL NON-CURRENT LIABILITIES | | 1,275,477,088 | 1,285,673,467 |
| TOTAL LIABILITIES | | 1,826,062,356 | 1,758,562,490 |
| EQUITY | | | |
| Share capital | 16 | 1,000,000,000 | 1,000,000,000 |
| Statutory reserve | | 500,000,000 | 500,000,000 |
| Retained earnings | | 127,485,883 | 103,460,229 |
| Revaluation reserve of investment at fair value through OCI | | (4,479,916) | (4,479,916) |
| TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY | | 1,623,005,967 | 1,598,980,313 |
| Non-controlling interests | | 59,038,038 | 59,327,735 |
| TOTAL EQUITY | | 1,682,044,005 | 1,658,308,048 |
| TOTAL LIABILITIES AND EQUITY | | 3,508,106,361 | 3,416,870,538 |

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

| | Note | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|--|------|---|-------------------------------------|---|-------------------------------------|
| | | 2023 SR | 2022 SR (Restated Note 26) | 2023 SR | 2022 SR (Restated Note 26) |
| REVENUE | | | | | |
| Hospitality income | 18 | 142,278,634 | 91,960,610 | 277,001,344 | 205,815,396 |
| Rental income | 18 | 33,621,392 | 31,912,449 | 66,147,895 | 63,283,082 |
| Management fees income | 18 | 1,909,686 | 907,115 | 2,810,722 | 1,345,121 |
| TOTAL REVENUE | | 177,809,712 | 124,780,174 | 345,959,961 | 270,443,599 |
| Cost of revenues | 19 | (136,657,034) | (105,421,425) | (253,369,568) | (215,879,975) |
| GROSS PROFIT | | 41,152,678 | 19,358,749 | 92,590,393 | 54,563,624 |
| EXPENSES | | | | | |
| Selling and marketing expenses | | (621,002) | (1,152,306) | (1,605,121) | (1,544,260) |
| General and administrative expenses | 20 | (12,497,437) | (9,479,450) | (23,937,667) | (20,975,725) |
| TOTAL EXPENSES | | (13,118,439) | (10,631,756) | (25,542,788) | (22,519,985) |
| OPERATING INCOME | | 28,034,239 | 8,726,993 | 67,047,605 | 32,043,639 |
| Financial charges | | (15,816,984) | (10,886,666) | (30,590,554) | (17,685,045) |
| Financial charges on lease liabilities | 14 | (3,632,539) | (3,568,850) | (7,220,399) | (6,979,074) |
| Finance income | 5 | 120,337 | 4,417 | 223,438 | 27,870 |
| Other (expenses) / income, net | 21 | 26,589 | 635,222 | (1,381,633) | 2,960,977 |
| Net gain on derivative instruments at fair value through profit or loss | | - | 9,218,625 | - | 28,748,981 |
| Share in results of equity accounted investees | | - | 593,556 | - | 593,556 |
| INCOME BEFORE ZAKAT | | 8,731,642 | 4,723,297 | 28,078,457 | 39,710,904 |
| Zakat | 15 | (1,624,000) | (718,944) | (3,248,000) | (3,060,999) |
| NET INCOME FOR THE PERIOD | | 7,107,642 | 4,004,353 | 24,830,457 | 36,649,905 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 7,107,642 | 4,004,353 | 24,830,457 | 36,649,905 |
| Attributable to: | | | | | |
| Equity holders of the parent | | 7,039,635 | 4,640,305 | 24,025,654 | 36,969,498 |
| Non-controlling interests | | 68,007 | (635,952) | 804,803 | (319,593) |
| | | 7,107,642 | 4,004,353 | 24,830,457 | 36,649,905 |
| Earnings per share | | | | | |
| Basic and diluted earnings per share for the attributable to equity holders of the parent | 23 | 0.07 | 0.05 | 0.24 | 0.37 |

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2023

| | Attributable to the equity holders of the parent | | | | | | |
|--|--|----------------------------|----------------------------|---|---|--|----------------------|
| | Share capital SR | Statutory reserve SR | Retained earnings SR | Revaluation reserve of investment at fair value through OCI SR | Total equity attributable to shareholders of the parent Company SR | Non- controlling interests SR | Total equity SR |
| <u>For the six months period ended 30 June 2023</u> | | | | | | | |
| At 1 January 2023 (audited) | 1,000,000,000 | 500,000,000 | 103,460,229 | (4,479,916) | 1,598,980,313 | 59,327,735 | 1,658,308,048 |
| Total comprehensive income for the period | - | - | 24,025,654 | - | 24,025,654 | 804,803 | 24,830,457 |
| Dividends | - | - | - | - | - | (1,094,500) | (1,094,500) |
| At 30 June 2023 (unaudited) | 1,000,000,000 | 500,000,000 | 127,485,883 | (4,479,916) | 1,623,005,967 | 59,038,038 | 1,682,044,005 |
| <u>For the six months period ended 30 June 2022</u> | | | | | | | |
| At 1 January 2022 (audited) | 1,000,000,000 | 500,000,000 | 61,847,817 | (4,898,343) | 1,556,949,474 | 59,387,923 | 1,616,337,397 |
| Total comprehensive income for the period | - | - | 36,969,498 | - | 36,969,498 | (319,593) | 36,649,905 |
| At 30 June 2022 (unaudited) | 1,000,000,000 | 500,000,000 | 98,817,315 | (4,898,343) | 1,593,918,972 | 59,068,330 | 1,652,987,302 |

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months period ended 30 June 2023

| | | <i>For the six months period ended 30 June</i> | |
|--|------|--|-------------------------------------|
| | Note | 2023 SR | 2022 SR (Restated Note 26) |
| OPERATING ACTIVITIES | | | |
| Income before zakat | | 28,078,457 | 39,710,904 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 10 | 49,542,127 | 50,984,501 |
| Depreciation of right of use assets | 14 | 6,857,662 | 6,756,775 |
| Provision of expected credit losses on trade receivables, net | 6 | 4,243,771 | 2,888,282 |
| COVID-19 related rent concession | | - | (251,035) |
| Share of results of equity accounted investees | | - | (593,556) |
| (Gain) loss on sale of property and equipment | | (37,385) | 86,646 |
| Provision for employees' terminal benefits | | 8,198,765 | 7,334,801 |
| Financial charges on lease liabilities | 14 | 7,220,399 | 6,979,074 |
| Financial charges on term loans | | 30,263,378 | 15,011,440 |
| Gain on change in fair value of derivatives at FVTPL, net | | - | (38,447,711) |
| | | 134,367,174 | 90,460,121 |
| <i>Working capital changes:</i> | | | |
| Trade receivables | | (20,511,110) | (13,495,984) |
| Prepayments and other current assets | | 4,192,591 | (10,711,684) |
| Inventories | | (1,391,408) | (1,918,890) |
| Trade payables | | 6,067,628 | 1,010,348 |
| Accrued expenses and other current liabilities | | 9,583,613 | (7,329,255) |
| Due to related parties | | (405,628) | (737,900) |
| Cash from operations | | 131,902,860 | 57,276,756 |
| Zakat paid | 15 | (7,762,049) | (7,026,713) |
| Employees' terminal benefits paid | | (4,197,201) | (5,930,419) |
| Net cash from operating activities | | 119,943,610 | 44,319,624 |
| INVESTING ACTIVITIES | | | |
| Additions to property and equipment | 10 | (5,477,638) | (10,482,304) |
| Additions to projects under construction | | (101,354,802) | (47,584,358) |
| Additions to investment in equity accounted investee | | (6,022,137) | - |
| Proceeds from investment in equity accounted investees | | - | 3,750,000 |
| Proceeds from sale of property and equipment | | 63,612 | 515,326 |
| Net cash used in investing activities | | (112,790,965) | (53,801,336) |
| FINANCING ACTIVITIES | | | |
| Proceeds from term loans | | 107,032,750 | 108,099,724 |
| Repayment of term loans | | (66,794,074) | (85,251,857) |
| Dividends paid | | (7,693) | (150,366) |
| Payments of lease liabilities | | (1,779,140) | (7,957,330) |
| Financial charges paid on term loans | | (29,458,946) | (12,018,467) |
| Net cash from financing activities | | 8,992,897 | 2,721,704 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 16,145,542 | (6,760,008) |
| Cash and cash equivalents at the beginning of the period | | 48,222,594 | 74,444,282 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 5 | 64,368,136 | 67,684,274 |
| SIGNIFICANT NON-CASH TRANASCATIONS: | | | |
| Transfer of projects under construction to property and equipment | | 1,623,526 | - |
| Finance cost on term loans capitalized in projects under construction | | 4,958,429 | - |
| Finance cost on lease capitalized in projects under construction | | 237,135 | 452,585 |
| Depreciation of right of use assets capitalized in projects under construction | | 57,625 | 159,137 |

The attached notes 1 to 29 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 2023

1 ACTIVITIES

Dur Hospitality Company (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company formed under the Regulations for Companies and is registered in the Riyadh, Kingdom of Saudi Arabia (“KSA”) under the commercial registration number 1010010726 dated 6 Muharram 1397H (corresponding to 27 December 1976).

The Company's principal activities comprise of the construction, acquisition, operation, management, through partnership and rent 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 rent of lands, providing services to pilgrims and visitors of the Prophet's (PBUH) Mosque. The Company carry out its activities by itself or through others jointly or separately.

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

| <i>Subsidiaries</i> | <i>Share Capital SR</i> | <i>Direct and indirect Ownership %</i> | |
|--|---------------------------------|--|-----------------------------|
| | | <i>30 June 2023</i> | <i>31 December 2022</i> |
| Makkah Hotels Company Limited | 165,600,000 | 99.44% | 99.44% |
| Saudi Hotel Services Company | 70,000,000 | 70% | 70% |
| Alnakheel for Tourist Areas Company Limited | 59,250,000 | 98.73% | 98.73% |
| Nuzul Shada Hospitality Company | 40,000,000 | 60% | 60% |
| Tabuk Hotels Company Limited | 27,300,000 | 97.14% | 97.14% |
| Jude Alia Company Limited | 100,000 | 99% | 99% |
| 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% |
| Dur Real Estate Communities 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). The company is engaged in hospitality services inside and outside the KSA. The company owns Makarem Ajyad Hotel in Makkah.

Saudi Hotel Services Company Limited

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

Alnakheel for Tourist Areas Company Limited

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

Nuzul Shada 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).

Dur Hospitality Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) (CONTINUED) 30 June 2023

1 ACTIVITIES (CONTINUED)

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.

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.

Dur Real Estate Communities Company (One Person Company)

Dur Real Estate Communities 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.

2 MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

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

The interim condensed consolidated financial statements do not include all information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2022.

2.2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for:

- investment in equity instruments at FVOCI and derivative financial instruments, which are measured at fair value; and
- employees' end of service benefits which are measured under projected credit unit method.

Further, these interim condensed consolidated financial statements have been prepared using accrual basis of accounting and on the basis that it will continue to operate as a going concern.

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

30 June 2023

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional and presentation currency of the Group. These interim condensed consolidated financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

2.4 New standard and amendments issued and effective

Following are standards and amendments, which are effective for annual periods beginning on or before 1 January 2023:

Name of standard, amendment, or interpretation

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

These standard and amendments had no impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.5 New standard and amendments issued but not yet effective

There are new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements as listed.

Name of standard, amendment, or interpretation

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

Effective date

1 January 2024
1 January 2024

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standard and amendments will have no impact on the interim condensed consolidated financial statements of the Group.

3 SIGNIFICANT JUDGMENTS, 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 and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

The significant judgments, assumptions and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's annual consolidated financial statements for the year ended 31 December 2022.

Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

30 June 2023

4 OPERATING SEGMENTS

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

All the Group's businesses are located in the Kingdom of Saudi Arabia. The following summary describes the operations of each reportable segment:

| | |
|----------------------------|---|
| <i>Hospitality</i> | represents hotels owned by the Group and revenues generated through them whether |
| | : these hotels are operated by the Group or by a third party. |
| <i>Property management</i> | represents management and operation of hotels and properties that are not owned by |
| | : the Group. |
| <i>Property rental</i> | represents properties owned by the Group which are leased to others. These properties |
| | : primarily comprise of residential compounds and commercial complexes. |
| <i>Others</i> | : represents corporate office and other support services departments. |

Following is a summary of certain financial information for the period ended 30 June:

| 2023 SAR (Unaudited) | <i>Hospitality</i> | <i>Property management</i> | <i>Property rental</i> | <i>Others</i> | <i>Eliminations</i> | <i>Total</i> |
|---|--------------------|--------------------------------|----------------------------|---------------|---------------------|---------------|
| Revenue from external customers | 277,001,344 | 2,810,722 | 66,147,895 | - | - | 345,959,961 |
| Inter-segment revenue | 660,000 | 12,871,463 | 3,356,744 | - | (16,888,207) | - |
| Cost of revenue | 241,775,131 | 2,333,743 | 25,946,401 | - | (16,685,707) | 253,369,568 |
| Gross profit | 35,886,213 | 13,348,442 | 43,558,238 | - | (202,500) | 92,590,393 |
| Depreciation of property and equipment and right of use assets | 43,905,287 | - | 12,494,502 | - | - | 56,399,789 |
| Property and equipment | 1,766,065,940 | - | 865,307,805 | - | - | 2,631,373,745 |
| Right of use assets | 176,544,342 | - | 18,540,331 | - | - | 195,084,673 |
| Projects under construction | 159,544,494 | - | 118,883,221 | - | - | 278,427,715 |
| Total assets | 1,400,507,707 | 10,508,128 | 1,892,573,715 | 660,866,027 | (456,349,216) | 3,508,106,361 |
| Total liabilities | 1,650,261,256 | 16,051,599 | 162,153,895 | 277,916 | (2,682,310) | 1,826,062,356 |

| 2022 SAR (Unaudited) | <i>Hospitality</i> | <i>Property management</i> | <i>Property rental</i> | <i>Others</i> | <i>Eliminations</i> | <i>Total</i> |
|---|--------------------|--------------------------------|----------------------------|---------------|---------------------|---------------|
| Revenue from external customers | 205,815,396 | 1,345,121 | 63,283,082 | - | - | 270,443,599 |
| Inter-segment revenue | 1,360,000 | 9,761,129 | 3,706,786 | - | (14,827,915) | - |
| Cost of revenue | 204,529,853 | 2,169,892 | 23,805,645 | - | (14,625,415) | 215,879,975 |
| Gross profit | 2,645,543 | 8,936,358 | 43,184,223 | - | (202,500) | 54,563,624 |
| Depreciation of property and equipment and right of use assets | 45,769,093 | - | 11,972,183 | - | - | 57,741,276 |
| Property and equipment | 1,785,834,621 | - | 884,551,384 | - | - | 2,670,386,005 |
| Right of use assets | 189,942,138 | - | 18,984,228 | - | - | 208,926,366 |
| Projects under construction | 115,690,517 | - | 28,012,618 | - | - | 143,703,135 |
| Total assets | 1,560,202,622 | 6,037,746 | 1,696,140,719 | 644,975,265 | (491,220,620) | 3,416,135,732 |
| Total liabilities | 1,647,123,398 | 14,211,038 | 147,275,967 | 871,223 | (43,315,397) | 1,766,166,229 |

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4 OPERATING SEGMENTS (CONTINUED)

Reconciliation of information on reportable segments to income before zakat of the Group for the period ended 30 June:

| | 2023 SR | 2022 SR (Restated Note 26) |
|---|---------------------|-------------------------------------|
| Gross profit of operating segments | 92,590,393 | 54,563,624 |
| Un-allocated amount: | | |
| Selling and marketing expenses | (1,605,121) | (1,544,260) |
| General and administration expenses | (23,937,667) | (20,975,725) |
| Financial charges | (30,590,554) | (17,685,045) |
| Financial charges on lease liabilities | (7,220,399) | (6,979,074) |
| Finance income | 223,438 | 27,870 |
| Other (expenses) / income, net | (1,381,633) | 2,960,977 |
| Net gain on derivative financial instruments at FVTPL | - | 28,748,981 |
| Share in results of equity accounted investees | - | 593,556 |
| Total un-allocated amounts | (64,511,936) | (14,852,720) |
| Income before zakat | 28,078,457 | 39,710,904 |

5 CASH AND CASH EQUIVALENTS

| | 30 June 2023 SR | 31 December 2022 SR |
|--|-----------------------|---------------------------|
| Bank balances | 70,840,729 | 73,698,564 |
| Short term deposits | 29,900,000 | 11,000,000 |
| Cash on hand | 752,427 | 649,050 |
| Cash and cash equivalents | 101,493,156 | 85,347,614 |
| Bank overdraft (note 13) | (37,125,020) | (37,125,020) |
| Cash and cash equivalents (for interim condensed consolidated statement of cash flows) | 64,368,136 | 48,222,594 |

- (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 508 basis points. Finance income for the six months period ended 30 June 2023 amounted to SR 223,438 (30 June 2022: SR 27,870).
- (b) As at 30 June 2023, the Group has available cash facilities amounting SR 349.6 million (31 December 2022: SR 438.7 million) representing unwithdrawn cash from the cash facility granted.

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6 TRADE RECEIVABLES

| | <i>30 June</i> 2023 SR | <i>31 December</i> 2022 SR |
|----------------------------|-------------------------------------|----------------------------------|
| Trade receivables | 184,051,365 | 163,540,255 |
| Expected credit loss (ECL) | (33,962,840) | (29,719,069) |
| | <u>150,088,525</u> | <u>133,821,186</u> |

Movement of expected credit loss is as follows:

| | <i>30 June</i> 2023 SR | <i>31 December</i> 2022 SR |
|--|-------------------------------------|----------------------------------|
| At 1 January | 29,719,069 | 25,233,972 |
| Charge for the period / year | 4,541,726 | 4,927,895 |
| Recovered during the period / year | (297,955) | (110,535) |
| Bad debts written off during the period / year | - | (332,263) |
| At the end of the period/ year | <u>33,962,840</u> | <u>29,719,069</u> |

7 PREPAYMENTS AND OTHER CURRENT ASSETS

| | <i>30 June</i> 2023 SR | <i>31 December</i> 2022 SR |
|-----------------------------------|-------------------------------------|----------------------------------|
| Advance for rent (*) | 43,818,607 | 58,818,607 |
| Prepayments | 7,769,424 | 6,359,973 |
| Advances to suppliers | 6,633,078 | 3,758,955 |
| Contract assets | 6,403,825 | 6,192,289 |
| Amounts due from related parties | 6,270,951 | 4,442,099 |
| Advances to employees | 3,535,681 | 3,270,738 |
| Advances for real estate projects | 1,796,104 | 1,796,104 |
| Others | 8,755,786 | 4,537,282 |
| | <u>84,983,456</u> | <u>89,176,047</u> |

(*) Advance for rent represents a payment to lease a hotel building in Makkah Al-Mukaramah for a period of three and a half years. The Group terminated the lease contract during 2020 and the amount will be recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. During 2021, the Group filed a lawsuit against the lessor in order to enforce the collateral on the hotel land and recover the advance for rent. During the six months period ended 30 June 2023, the Group has received SR 15 million. Management believes that the outstanding amount is fully recoverable as it is secured through collateral on the title deed of the hotel's land owned by the lessor.

8 DERIVATIVE FINANCIAL INSTRUMENTS

During 2018 the Group entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. The derivatives carried an original maturity of 10 December 2024. One of these derivatives was called back by the financial institution on 10 December 2022. The mentioned agreements are under legal case against a local financial institution (note 22 – c).

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8 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of the Group's derivative financial instrument as of 30 June 2023 is SR 0.109 million (31 December 2022: SR 0.109 million).

During the six months period ended 30 June 2023, the net gain from derivative financial instrument is nil (30 June 2022: SR 28.7 million) (note 26).

The derivatives did not qualify for hedge accounting.

9 RIGHT OF USE ASSETS

The Group leases several assets including lands and a building. Information about assets for which the Group is a lessee is presented below:

| | <i>Lands</i> | <i>Buildings</i> | <i>Total</i> |
|----------------------------------|-------------------|--------------------|--------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Cost: | | | |
| As at 1 January and 30 June 2023 | 54,973,553 | 207,408,999 | 262,382,552 |
| Depreciation: | | | |
| As at 1 January 2023 | 8,094,928 | 52,287,664 | 60,382,592 |
| Charge for the period | 1,191,559 | 5,723,728 | 6,915,287 |
| As at 30 June 2023 | 9,286,487 | 58,011,392 | 67,297,879 |
| Net book values: | | | |
| As at 30 June 2023 | 45,687,066 | 149,397,607 | 195,084,673 |
| Cost: | | | |
| As at 1 January 2022 | 54,973,553 | 221,127,829 | 276,101,382 |
| Lease adjustments (a) | - | (13,718,830) | (13,718,830) |
| As at 31 December 2022 | 54,973,553 | 207,408,999 | 262,382,552 |
| Depreciation: | | | |
| As at 1 January 2022 | 5,710,560 | 40,829,714 | 46,540,274 |
| Charge for the year | 2,384,368 | 11,457,950 | 13,842,318 |
| As at 31 December 2022 | 8,094,928 | 52,287,664 | 60,382,592 |
| Net book values: | | | |
| As at 31 December 2022 | 46,878,625 | 155,121,335 | 201,999,960 |

- (a) Lease adjustments represent changes made to lease payments and terms agreed upon with the lessor.
- (b) There were no leases with residual value guarantees to which the Group is committed.
- (c) The depreciation charge amounting to SR 0.2 million has been capitalized in projects under construction, whereas the remaining has been allocated in the interim condensed consolidated statement of income to cost of revenue.

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10 PROPERTY AND EQUIPMENT

| | <i>Lands SR</i> | <i>Buildings SR</i> | <i>Building's 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 the beginning of the period | 744,072,519 | 2,196,741,425 | 153,950,981 | 399,822,286 | 7,578,306 | 203,586,058 | 115,800,263 | 3,821,551,838 |
| Additions | - | - | 828,842 | 1,252,621 | 115,800 | 2,998,875 | 281,500 | 5,477,638 |
| Disposals | - | - | - | (29,960) | (182,800) | - | - | (212,760) |
| Transfer from projects under construction (Note 11) | - | - | 462,486 | 364,315 | - | 699,375 | 97,350 | 1,623,526 |
| At 30 June 2023 | 744,072,519 | 2,196,741,425 | 155,242,309 | 401,409,262 | 7,511,306 | 207,284,308 | 116,179,113 | 3,828,440,242 |
| Accumulated depreciation | | | | | | | | |
| At the beginning of the period | - | 618,745,012 | 105,060,089 | 276,937,473 | 6,814,254 | 97,082,891 | 43,071,184 | 1,147,710,903 |
| Charge for the period | - | 20,801,097 | 5,872,442 | 11,624,169 | 114,791 | 9,467,814 | 1,661,814 | 49,542,127 |
| Disposals | - | - | - | (3,735) | (182,798) | - | - | (186,533) |
| As 30 June 2023 | - | 639,546,109 | 110,932,531 | 288,557,907 | 6,746,247 | 106,550,705 | 44,732,998 | 1,197,066,497 |
| Net Book Value: | | | | | | | | |
| As at 30 June 2023 | 744,072,519 | 1,557,195,316 | 44,309,778 | 112,851,355 | 765,059 | 100,733,603 | 71,446,115 | 2,631,373,745 |

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10 PROPERTY AND EQUIPMENT (CONTINUED)

| | <i>Lands SR</i> | <i>Buildings SR</i> | <i>Building's 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> |
|---|---------------------|-------------------------|---|-------------------------|------------------------------|---|--|----------------------|
| <i>Cost:</i> | | | | | | | | |
| At the beginning of the year | 744,072,519 | 2,173,942,670 | 142,337,318 | 403,458,073 | 7,783,678 | 187,653,667 | 114,813,941 | 3,774,061,866 |
| Additions | - | 2,521,000 | 6,187,184 | 4,000,301 | 244,724 | 9,293,013 | 228,070 | 22,474,292 |
| Disposals | - | - | - | (14,352,616) | (450,096) | (957,561) | (377,743) | (16,138,016) |
| Transfer from projects under construction (note 11) | - | 20,277,755 | 5,426,479 | 8,195,138 | - | 7,596,939 | 1,135,995 | 42,632,306 |
| Adjustments (a) | - | - | - | (1,478,610) | - | - | - | (1,478,610) |
| As 31 December 2022 | <u>744,072,519</u> | <u>2,196,741,425</u> | <u>153,950,981</u> | <u>399,822,286</u> | <u>7,578,306</u> | <u>203,586,058</u> | <u>115,800,263</u> | <u>3,821,551,838</u> |
| <i>Accumulated depreciation</i> | | | | | | | | |
| At the beginning of the year | - | 576,651,826 | 93,874,820 | 265,993,909 | 7,036,576 | 79,037,544 | 39,977,017 | 1,062,571,692 |
| Charge for the year | - | 42,093,186 | 11,185,269 | 24,803,330 | 227,774 | 18,920,720 | 3,462,697 | 100,692,976 |
| Disposals | - | - | - | (13,859,766) | (450,096) | (875,373) | (368,530) | (15,553,765) |
| As 31 December 2022 | <u>-</u> | <u>618,745,012</u> | <u>105,060,089</u> | <u>276,937,473</u> | <u>6,814,254</u> | <u>97,082,891</u> | <u>43,071,184</u> | <u>1,147,710,903</u> |
| Net Book Value: | | | | | | | | |
| As at 31 December 2022 | <u>744,072,519</u> | <u>1,577,996,413</u> | <u>48,890,892</u> | <u>122,884,813</u> | <u>764,052</u> | <u>106,503,167</u> | <u>72,729,079</u> | <u>2,673,840,935</u> |

(a) During the year ended 31 December 2022, the Group re-estimated cost of certain items of the projects by SR 1.5 million.

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11 PROJECTS UNDER CONSTRUCTION

Movement in projects under construction is as follows:

| | <i>For the six months period ended 30 June 2023 SR</i> | <i>For the year ended 31 December 2022 SR</i> |
|---|--|---|
| At the beginning of the period/year | 175,213,850 | 95,507,055 |
| Additions during the period / year | 106,607,991 | 149,771,785 |
| Transfers to property and equipment (note 10) | (1,623,526) | (42,632,306) |
| Impairment of projects under construction | - | (27,432,684) |
| At the end of the period/year | 280,198,315 | 175,213,850 |

- (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, project management expenses, design expenses, advances to contractors, borrowing cost and other miscellaneous expenses.
- (b) The Group reviews the progress of these projects periodically. During the six months period ended 30 June 2023, the Group did not notice any indicators of impairment for the ongoing projects.
- (c) Transfers into property and equipment during 2023 amounting SR 1.6 million mainly represent the cost of renovation in Hospitality segment in Riyadh City. Transfers during 2022 amounting SR 42.6 million mainly represent the cost of construction of new apartments in Tabuk Region and cost of renovation of properties in Hospitality and Property Rental segments in Riyadh City.

12 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

| | <i>30 June 2023 SR</i> | <i>31 December 2022 SR</i> |
|--|--------------------------------|------------------------------------|
| Contract liabilities | 74,473,179 | 62,434,029 |
| Accrued staff benefits | 21,009,579 | 23,878,761 |
| Retentions payable | 20,444,377 | 15,719,558 |
| Payable to contractors | 14,882,514 | 16,328,089 |
| Accrued financial charges | 16,856,586 | 11,093,725 |
| Accrued management and franchising fee | 3,157,416 | 4,791,691 |
| Accrued utilities and other services | 4,700,041 | 3,600,233 |
| Accrued professional fees and other services | 2,269,284 | 2,530,180 |
| Others (*) | 11,146,044 | 12,121,780 |
| | 168,939,020 | 152,498,046 |

(*) This includes accruals for VAT, municipality charges, tobacco tax and other accruals.

13 TERM LOANS

The Group has secured term loans from number of local banks in the form of Murabaha financing with a total carrying value of SR 1,103 million as at 30 June 2023 (31 December 2022: SR 1,063 million) which accrue Murabaha commission at SIBOR plus agreed margin, which are equivalent to the market interest rates. These financing are secured by promissory notes and assignment of proceeds from certain projects' rentals.

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13 TERM LOANS (CONTINUED)

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 loan covenants as at 30 June 2023 and 31 December 2022.

| | <i>30 June 2023 SR</i> | <i>31 December 2022 SR</i> |
|----------------|--------------------------------|------------------------------------|
| Term loans | 1,102,907,251 | 1,062,668,575 |
| Bank overdraft | 37,125,020 | 37,125,020 |
| | <u>1,140,032,271</u> | <u>1,099,793,595</u> |

Bank overdraft represents balance in a US dollar bank account resulting from the settlement of the derivative financial instruments.

Classification of the borrowings is as follows:

| | <i>30 June 2023 SR</i> | <i>31 December 2022 SR</i> |
|-----------------------------------|--------------------------------|------------------------------------|
| Term loans - current portion | 184,771,768 | 133,882,321 |
| Bank overdraft | 37,125,020 | 37,125,020 |
| Term loans - current portion | 221,896,788 | 171,007,341 |
| Term loans - non- current portion | 918,135,483 | 928,786,254 |
| Total borrowings | <u>1,140,032,271</u> | <u>1,099,793,595</u> |

14 LEASE LIABILITIES

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

| | <i>For the six months period ended 30 June 2023 SR</i> | <i>For the year ended 31 December 2022 SR</i> |
|---|--|---|
| At the beginning of the period/year | 330,680,112 | 345,652,935 |
| Interest | 7,457,534 | 15,006,421 |
| Payments | (1,779,140) | (16,009,379) |
| Lease adjustment | - | (13,718,830) |
| COVID-19 related rent concession | - | (251,035) |
| At the end of the period/year | <u>336,358,506</u> | <u>330,680,112</u> |
| <i>The present value of the net lease payments is as follows:</i> | | |
| Current portion | 43,698,288 | 34,472,722 |
| Non-Current portion | 292,660,218 | 296,207,390 |

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

| | <i>For the six months period ended 30 June 2023 SR</i> | <i>30 June 2022 SR</i> |
|--|--|----------------------------|
| Depreciation expense of right-of-use assets | 6,857,662 | 6,756,775 |
| Financial charges on lease liabilities | 7,220,399 | 6,979,074 |
| Total amount recognised in interim condensed consolidated statement of income | <u>14,078,061</u> | <u>13,735,849</u> |

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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 interim condensed consolidated statement of comprehensive income for the Group.

Movement in provision for Zakat is as follows:

| | <i>For the six months period ended 30 June 2023</i> | <i>For the year ended 31 December 2022</i> |
|--------------------------------------|---|--|
| | SR | SR |
| At the beginning of the period/year | 11,205,828 | 13,662,198 |
| Provided during the period/year | 3,248,000 | 4,575,343 |
| Payments made during the period/year | (7,762,049) | (7,031,713) |
| At the end of the period/year | <u>6,691,779</u> | <u>11,205,828</u> |

Zakat status

The Company and its subsidiaries have filed their Zakat returns with Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2022.

The Company received its zakat assessments from ZATCA up to 31 December 2014 G and for the years 2016, 2017, 2018 and 2020.

ZATCA issued zakat assessments for the year from 2015 to 2018. The Company submitted its objections on those assessments. Those objections were accepted by ZATCA, except for an amount of SR 0.86 million. The Company submitted its appeal to the General Secretariat of the Committees ("GSTC"). GSTC accepted the Company's objections for amount of SR 0.62 million and rejected an amount of SR 0.25 million. In May 2022, ZATCA appealed to Appeal Committee for Tax Violations and Disputes Resolution ("ACTVDR") against GSTC decision. The Company has submitted its response to ACTVDR within the timeline required and the outcome has not been finalized yet.

ZATCA issued zakat assessment for the year 2019, which resulted in zakat differences of SR 3.03 million. The Company has paid all the unobjectionable amounts aggregating SR 1.2 million and raised objections to the rest of the items in dispute. This resulted in the issuance of an amended assessment by ZATCA with additional amount of SR 1.04 million. The Company filed an objection with the GSTC to consider the items under objection. The Committee for Resolution of Tax Violations and Disputes "CRTVD" issued its decision and rejected the Company's objection. The Company has appealed to the Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" within the timeline required and the outcome has not been finalized yet.

ZATCA has not finalized yet the zakat assessment for the year ended 31 December 2021 and 2022.

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

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 2022: 100 million shares of SR 10 each).

17 DIVIDENDS PAYABLE

As at 30 June 2023, current liabilities include the balance of dividends payable amounting to SR 43.7 million (31 December 2022: SR 43.7 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.

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18 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

| | <i>For the six months period ended 30 June 2023</i> | | | | <i>For the six months period ended 30 June 2022</i> | | | |
|--|---|-------------------|-------------------|--------------------|---|-------------------|-------------------|--------------------|
| | <i>Hospitality</i> | <i>Rental</i> | <i>Property</i> | <i>Total</i> | <i>Hospitality</i> | <i>Rental</i> | <i>Property</i> | <i>Total</i> |
| | <i>SR</i> | <i>SR</i> | <i>Management</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>Management</i> | <i>SR</i> |
| | | | <i>SR</i> | | | | <i>SR</i> | |
| Type of goods or service | | | | | | | | |
| Hospitality services – rooms | 200,295,464 | - | - | 200,295,464 | 141,599,747 | - | - | 141,599,747 |
| Sales of goods - food and beverage | 60,681,967 | - | - | 60,681,967 | 54,905,004 | - | - | 54,905,004 |
| Other hospitality revenues | 16,023,913 | - | - | 16,023,913 | 9,310,645 | - | - | 9,310,645 |
| Rental income | - | 66,147,895 | - | 66,147,895 | - | 63,283,082 | - | 63,283,082 |
| Management fee | - | - | 2,810,722 | 2,810,722 | - | - | 1,345,121 | 1,345,121 |
| Total revenue from contracts with customers | 277,001,344 | 66,147,895 | 2,810,722 | 345,959,961 | 205,815,396 | 63,283,082 | 1,345,121 | 270,443,599 |
| Timing of revenue recognition | | | | | | | | |
| Over time | 216,319,377 | 66,147,895 | 2,810,722 | 285,277,994 | 150,910,392 | 63,283,082 | 1,345,121 | 215,538,595 |
| At a point in time | 60,681,967 | - | - | 60,681,967 | 54,905,004 | - | - | 54,905,004 |
| Total revenue from contracts with customers | 277,001,344 | 66,147,895 | 2,810,722 | 345,959,961 | 205,815,396 | 63,283,082 | 1,345,121 | 270,443,599 |
| | | | | | | | | |
| | <i>For the three months period ended 30 June 2023</i> | | | | <i>For the three months period ended 30 June 2022</i> | | | |
| | <i>Hospitality</i> | <i>Rental</i> | <i>Property</i> | <i>Total</i> | <i>Hospitality</i> | <i>Rental</i> | <i>Property</i> | <i>Total</i> |
| | <i>SR</i> | <i>SR</i> | <i>Management</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>Management</i> | <i>SR</i> |
| | | | <i>SR</i> | | | | <i>SR</i> | |
| Type of goods or service | | | | | | | | |
| Hospitality services – rooms | 99,146,533 | - | - | 99,146,533 | 62,361,881 | - | - | 62,361,881 |
| Sales of goods - food and beverage | 29,370,337 | - | - | 29,370,337 | 25,628,222 | - | - | 25,628,222 |
| Other hospitality revenues | 13,761,764 | - | - | 13,761,764 | 3,970,507 | - | - | 3,970,507 |
| Rental income | - | 33,621,392 | - | 33,621,392 | - | 31,912,449 | - | 31,912,449 |
| Management fee | - | - | 1,909,686 | 1,909,686 | - | - | 907,115 | 907,115 |
| Total revenue from contracts with customers | 142,278,634 | 33,621,392 | 1,909,686 | 177,809,712 | 91,960,610 | 31,912,449 | 907,115 | 124,780,174 |
| Timing of revenue recognition | | | | | | | | |
| Over time | 112,908,297 | 33,621,392 | 1,909,686 | 148,439,375 | 66,332,388 | 31,912,449 | 907,115 | 99,151,952 |
| At a point in time | 29,370,337 | - | - | 29,370,337 | 25,628,222 | - | - | 25,628,222 |
| Total revenue from contracts with customers | 142,278,634 | 33,621,392 | 1,909,686 | 177,809,712 | 91,960,610 | 31,912,449 | 907,115 | 124,780,174 |

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19 COST OF REVENUES

| | <i>For the three-month period ended 30 June</i> | | <i>For the six-month period ended 30 June</i> | |
|--|---|--------------------|---|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | SR | SR | SR | SR |
| Salaries and other employee benefits | 48,823,635 | 44,532,930 | 95,597,180 | 88,541,831 |
| Depreciation of property and equipment and right of use assets | 27,943,422 | 28,238,389 | 55,710,898 | 57,054,696 |
| Operating supplies | 28,245,219 | 6,570,083 | 39,230,717 | 16,217,825 |
| Food and beverage | 8,704,149 | 7,087,313 | 18,219,253 | 16,438,799 |
| Utilities | 7,168,503 | 6,286,177 | 13,146,892 | 12,249,899 |
| Advertising and promotion activities | 5,467,061 | 4,066,126 | 9,788,407 | 8,079,081 |
| Service and operation fees | 2,984,644 | 2,086,945 | 7,486,096 | 4,848,894 |
| Commission for travelling agency and credit cards | 3,137,864 | 1,113,244 | 6,322,779 | 3,221,868 |
| Repair and maintenance | 3,197,164 | 3,906,171 | 6,062,009 | 6,688,640 |
| Security and guarding | 78,343 | 130,262 | 161,856 | 294,862 |
| Others | 907,030 | 1,403,785 | 1,643,481 | 2,243,580 |
| | <u>136,657,034</u> | <u>105,421,425</u> | <u>253,369,568</u> | <u>215,879,975</u> |

20 GENERAL AND ADMINISTRATIVE EXPENSES

| | <i>For the three-month period ended 30 June</i> | | <i>For the six-month period ended 30 June</i> | |
|--|---|------------------|---|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | SR | SR | SR | SR |
| Salaries and other employee benefits | 6,516,855 | 6,022,599 | 12,788,173 | 11,424,071 |
| Expected credit loss, net (note 6) | 2,072,885 | 241,298 | 4,243,771 | 2,888,282 |
| Professional fee | 771,361 | 554,917 | 1,265,666 | 1,111,949 |
| Board of Director remuneration | 1,265,000 | 1,230,870 | 2,245,000 | 2,118,370 |
| Subscription | 493,460 | 553,075 | 1,259,282 | 1,282,874 |
| Depreciation of property and equipment | 348,161 | 344,190 | 688,891 | 686,580 |
| Hospitalities | 123,996 | 122,526 | 271,170 | 556,892 |
| Others | 905,719 | 409,975 | 1,175,714 | 906,707 |
| | <u>12,497,437</u> | <u>9,479,450</u> | <u>23,937,667</u> | <u>20,975,725</u> |

21 OTHER (EXPENSES) / INCOME, NET

| | <i>For the three-month period ended 30 June</i> | | <i>For the six-month period ended 30 June</i> | |
|----------------------------------|---|----------------|---|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | SR | SR | SR | SR |
| Consultancy expenses (a) | (366,879) | - | (1,790,751) | - |
| Accruals no longer required | - | - | - | 2,220,155 |
| COVID-19 related rent concession | - | 251,035 | - | 251,035 |
| Others, net | 393,468 | 384,187 | 409,118 | 489,787 |
| | <u>26,589</u> | <u>635,222</u> | <u>(1,381,633)</u> | <u>2,960,977</u> |

(a) The Group incurred certain expenses of due diligence and other professional services as a result of proposed merger activities.

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22 COMMITMENTS AND CONTINGENCIES

Capital commitments

- a) The Group has entered into capital commitments of SR 183.9 million (31 December 2022: SR 286.9 million) related to its capital work in progress.
- b) The Group has capital commitment in relation to equity accounted investees' projects under construction of SR 43 million (31 December 2022: SR 49 million).

Contingencies

- a) As at 30 June 2023, the Group had issued letters of guarantee amounting to SR 28.7 million (31 December 2022: SR 29.03 million). These guarantees are without cash margin.
- b) For Zakat related matters, refer to note 15.
- c) During 2018 the Group entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Group disputed the validity of these agreements and filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for Resolution of Securities Disputes ("the CRSD"). The financial institution has also filed a lawsuit against the group claiming for the amounts from those agreements. On 14 February 2022, the CRSD issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations ("CBFDV"). On 10 March 2022, the Group filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. There is no progress on the outcome of the lawsuit as of 30 June 2023. The Group is still pursuing the legal case, regardless of recognizing the derivatives as per the requirements of IFRS, and the potential outcome of the claim cannot be reasonably estimated at this stage.

23 BASIC AND DILUTED EARNINGS PER SHARE

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

| | 30 June 2023 SR | 30 June 2022 SR |
|--|--------------------|--------------------|
| Income for the year attributable to the equity holders of the parent | 24,025,654 | 36,969,498 |
| Weighted average number of outstanding shares | 100,000,000 | 100,000,000 |
| Basic and diluted earnings per share | 0.24 | 0.37 |

24 INTERIM RESULTS

The operations and revenues of the Group are affected by the seasonal changes during the year and for certain periods. Therefore, the results of operations for the six months period ended 30 June 2023 may not necessarily be indicative of the annual results of the Group.

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of cash and bank balances, short term deposits, investments, trade receivables and due from related parties. Its financial liabilities consist of term loans, trade payables, due to related parties and derivatives.

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25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The management assessed that fair value of cash and bank balances, short term deposits, trade receivables, amounts due from related parties, trade payables and amounts due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments. As for term loans, the fair value does not materially differ from the book value included in the interim condensed consolidated financial statements as the current interest rates prevailing in the market for similar financial instruments do not significantly differ from the contracted prices.

The investment at FVOCI is classified within Level 3 of the fair value levels and measured by management at fair value using the two income methods (discounted cash flows) and market (Price-to-earnings Ratio) methods.

For derivative financial instruments, the fair value is calculated using valuation techniques include swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

Financial Assets

| | <i>30 June</i> 2023 SR | <i>31 December</i> 2022 SR |
|---|-------------------------------------|----------------------------------|
| Financial assets carried at fair value | | |
| Investment at FVOCI | 2,520,084 | 2,520,084 |
| Derivative financial instrument | 109,916 | 109,916 |
| Total financial assets carried at fair value | 2,630,000 | 2,630,000 |
| Financial assets carried at amortised cost | | |
| Cash and cash equivalents | 101,493,156 | 85,347,614 |
| Trade receivables | 150,088,525 | 133,821,186 |
| Due from related parties | 6,270,951 | 4,442,099 |
| Total financial assets carried at amortised cost | 257,852,632 | 223,610,899 |
| Total financial assets | 260,482,632 | 226,240,899 |
| Total current financial assets | 257,852,632 | 223,610,899 |
| Total non-current financial assets | 2,630,000 | 2,630,000 |
| | 260,482,632 | 226,240,899 |

Financial liabilities

| | <i>30 June</i> 2023 SR | <i>31 December</i> 2022 SR |
|--|-------------------------------------|----------------------------------|
| Financial liabilities carried at amortised cost | | |
| Trade payables | 34,866,192 | 24,798,564 |
| Term loans | 1,140,032,271 | 1,099,793,595 |
| Due to related parties | 34,841,084 | 35,246,712 |
| Total financial liabilities carried at amortised cost | 1,209,739,547 | 1,159,838,871 |
| Total current financial liabilities | 291,604,064 | 231,052,617 |
| Total non-current financial liabilities | 918,135,483 | 928,786,254 |
| | 1,209,739,547 | 1,159,838,871 |

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26 COMPARATIVE PERIOD ADJUSTMENTS

During the three months period ended 31 December 2022, the Group retrospectively processed the accounting of financial derivatives relating to the prior periods. Those adjustments are related to the interest rate swaps, which were not previously recorded by management in the periods prior to 31 December 2022.

The effect of those adjustment on the interim condensed consolidated financial statements for the six-months period ended 30 June 2022 has been summarized below:

(a) Impact on interim condensed consolidated statement of profit or loss

| | 30 June 2022 |
|---|---------------------|
| | SR |
| Net gain on derivative instruments at fair value through profit or loss | 28,748,981 |
| Net impact on profit for the period | <u>28,748,981</u> |
| Attributable to: | |
| Equity holders of the Parent | 28,748,981 |
| Non-controlling interests | - |

(b) Impact on basic and diluted earnings per share (EPS)

| | |
|--|-------------|
| Basic and diluted earnings per share for the period attributable to equity holders of the Parent | <u>0.29</u> |
|--|-------------|

(c) Impact on the statement of cashflows:

| | 30 June 2022 |
|---------------------------------------|---------------------|
| Net cash used in operating activities | <u>(9,698,730)</u> |

Certain other comparative numbers have been reclassified to conform with the current period presentation.

27 SIGNIFICANT EVENTS

The Company's board of directors, on 23 Juma'ada I 1444H (corresponding to 17 December 2022), signed a non-binding Memorandum of Understanding ("MOU") with Taiba Investments Company ("Taiba"), a Saudi Joint Stock Company, for potential acquisition ("Proposed Transaction") of the Company by Taiba.

Pursuant to the MOU, the Proposed Transaction was to be implemented through share exchange offer made by Taiba (in its capacity as the offeror) to Company's shareholders (in their capacity as the offerees) for the purposes of acquiring all of the Company's issued shares. The consideration payable by Taiba to Company's shareholders will be the issuance of new shares in Taiba in accordance with the Merger and Acquisition Regulations issued by the board of the Capital Market Authority ("CMA") and other relevant rules and regulations, which would result in the delisting of Dur Hospitality Company, and it would be a wholly owned subsidiary of Taiba.

On 17/9/1444H (corresponding to 8/4/2023G), the Company entered into a legally binding implementation agreement with Taiba Company (the "Implementation Agreement"), pursuant to which both companies agreed that Taiba Company shall make an offer to acquire all shares in Dur in consideration for newly issued shares in Taiba Company to the shareholders of Dur Company pursuant to Article (26) of the Merger and Acquisition Regulations and the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority, and in accordance with a number of the terms and conditions of the Implementation Agreement.

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28 SUBSEQUENT EVENTS

There are no subsequent events that have occurred up to and including the date of the approval of the interim condensed consolidated financial statements which could materially affect the interim condensed consolidated financial statements and the related disclosures for the period ended 30 June 2023.

29 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

These interim condensed consolidated financial statements were approved on 20 Muharram 1445H (corresponding to 7 August 2023).