Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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31 December 2021

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

C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

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

Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Qualified Opinion

We have audited the consolidated financial statements of Dur Hospitality Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

Basis for Qualified Opinion

As disclosed in note 28, to the consolidated financial statements, the Company is disputing the validity of two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Company filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for the Resolution of Securities Disputes ("the CRSD"). On 14 February 2022, the CRSD has issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations. On 10 March 2022, The Company filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. The new lawsuit is still at preliminary stage at the Committee of Banking and Financial Disputes and Violations and the potential outcome cannot be reasonably estimated at this stage. Had these agreements been accounted for in the consolidated financial statements, the net income for the year would be higher by SR 16.4 million (2020: net income would be lower by SR 47.9 million), the net equity as of 31 December 2021 would be lower by SR 66.7 million (2020: SR 83.1 million) and the net equity as of 1 January 2020 would be lower by SR 35.2 million. Our opinion on the prior year audit report has been qualified on the same matter.

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Basis for Qualified Opinion" section of our report and for each of the matters below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor’s Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property and equipment	
At 31 December 2021, total property and equipment of the Group amounted to SR 2,711 million, representing 79.6% of total assets. The carrying values of these property and equipment are reviewed by the management for potential indicators of impairment and for those assets where such indicators exist, management determine the recoverable value. We considered this as a key audit matter, since it require a significant management judgment in reviewing the existence of the impairment indicators. Also, the potential impairment, if any, may have significant impact on the consolidated statement of financial position and consolidated result of operations of the Group. Refer to note (2-5) to the consolidated financial statements for the accounting policy of impairment of non-financial assets and note (13) for the disclosure of property and equipment.	Audit procedures that we performed included the following: • Assessed the appropriateness of the management’s procedures to ensure whether an indication of impairment exists or not. • Evaluating the Group's assumptions and estimates to determine the recoverable value of its assets, including those relating to occupancy rates, average room rates, operating expense and discount rates. • Reviewed the statement of operating income for CGU associated with property and equipment during the year. • Reviewed the internal reports (including the Board of Directors minutes of meetings) to assess any future plans in relation to property and equipment. • Assessed the adequacy of the Group's disclosures relating to impairment of non-financial assets in the consolidated financial statements.

Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Legal complaint against a local financial institution	
As disclosed in note 28, to the consolidated financial statements, the Company is disputing the validity of two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. On 10 March 2022, The Company filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations. The new lawsuit is still at preliminary stage at the Banking Disputes Committee and the potential outcome cannot be reasonably estimated at this stage. We considered this as a key audit matter due to the materiality of the agreements amount and any unexpected adverse outcomes of the Lawsuit which could impact the Group's consolidated finanical positon, results of operations or future cash flows. Refer to note (2-5) to the consolidated financial statements for the accounting policy of contingent liabilites and note (28) for the disclosure of contigencies.	Audit procedures that we performed included the following: • Obtained and read the agreements to obtain an understanding of the underlying derivative deals and the key terms. We also obtained a direct confirmation from the financial institution on the outstanding derivative deals and its market valuation as of 31 December 2021. • Tested the fair values of derivatives disclosed in notes to the consolidated financial statements. • Read the minutes of the meetings of the Board of Directors and Audit Committee held during 2021 with a particular focus on the overall progress of the Lawsuit. • Read the final decision as issued by the CRSD that for lack of jurisdiction of an authority. • Obtained letter from external legal counsel of the Company's on the status of the legal proceeding. • Assessed the adequacy of the relevant disclosure included in the consolidated financial statements.

Other Information included in the Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

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

Riyadh: 28 Sha'aban 1443H
(31 March 2022)

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سجل تجاري ١٠١٠٣٨٣٨٢١
CR. 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	***2021***	*2020*
		SR	*SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**91,647,932**	94,828,467
Trade receivables	6	**145,241,390**	116,940,868
Prepayments and other current assets	7	**95,102,175**	130,722,204
Inventories	9	**17,105,511**	18,820,195
TOTAL CURRENT ASSETS		**349,097,008**	361,311,734
NON-CURRENT ASSETS			
Investment at fair value through other comprehensive income (FVOCI)	10	**2,101,657**	1,942,322
Investments in equity accounted investees	11	**17,422,653**	12,570,128
Right of use assets	12	**229,561,108**	279,408,479
Property and equipment	13	**2,711,490,174**	2,698,425,010
Projects under construction	14	**95,507,055**	124,946,460
TOTAL NON-CURRENT ASSETS		**3,056,082,647**	3,117,292,399
TOTAL ASSETS		**3,405,179,655**	3,478,604,133
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Term loans - current portion	16	**271,761,088**	209,537,984
Lease liabilities - current portion	17	**43,343,159**	29,433,114
Trade payables		**41,327,895**	36,368,079
Accrued expenses and other current liabilities	15	**161,588,296**	169,247,660
Due to related parties	8	**37,158,747**	37,974,216
Dividend payable	23	**43,939,294**	44,259,209
Provision for zakat	18	**13,662,198**	13,323,298
TOTAL CURRENT LIABILITIES		**612,780,677**	540,143,560
NON-CURRENT LIABILITIES			
Term loans – non-current portion	16	**745,510,575**	824,367,448
Lease liabilities – non-current portion	17	**302,309,776**	356,447,344
Employees' terminal benefits liabilities	19	**61,597,789**	59,915,810
TOTAL NON-CURRENT LIABILITIES		**1,109,418,140**	1,240,730,602
TOTAL LIABILITIES		**1,722,198,817**	1,780,874,162

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2021

	Note	***2021*** *SR*	*2020* *SR*
EQUITY			
Share capital	20	**1,000,000,000**	1,000,000,000
Statutory reserve	21	**500,000,000**	500,000,000
Consensual reserve	22	**-**	143,002,490
Retained earnings		**128,491,258**	1,384,928
Revaluation reserve of investment at fair value through OCI	10	**(4,898,343)**	(5,057,678)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**1,623,592,915**	1,639,329,740
Non-controlling interest		**59,387,923**	58,400,231
TOTAL EQUITY		**1,682,980,838**	1,697,729,971
TOTAL LIABILITIES AND EQUITY		**3,405,179,655**	3,478,604,133

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2021

	Note	***2021*** ***SR***	*2020* *SR*
REVENUE			
Hospitality income	24	**348,382,921**	321,033,619
Rental income	24	**123,246,132**	119,617,815
Management fees income	24	**1,520,903**	1,668,123
TOTAL REVENUE		**473,149,956**	442,319,557
Cost of revenue	25	**(413,651,984)**	(381,495,300)
GROSS PROFIT		**59,497,972**	60,824,257
EXPENSES			
Selling and marketing expenses		**(1,980,451)**	(1,473,879)
General and administrative expenses	26	**(31,291,713)**	(53,596,364)
TOTAL EXPENSES		**(33,272,164)**	(55,070,243)
OPERATING INCOME		**26,225,808**	5,754,014
Financial charges		**(23,144,856)**	(33,241,431)
Financial charges on lease liabilities	17	**(13,741,547)**	(15,758,507)
Finance income	5	**38,205**	324,434
Other income, net	27	**10,053,119**	630,469
Share of results of equity accounted investees	11	**(4,289,852)**	(1,738,937)
LOSS BEFORE ZAKAT		**(4,859,123)**	(44,029,958)
Zakat	18	**(9,312,287)**	(7,579,300)
NET LOSS FOR THE YEAR		**(14,171,410)**	(51,609,258)
Attributable to:			
Equity holders of the parent		**(15,184,007)**	(49,494,612)
Non-controlling interest		**1,012,597**	(2,114,646)
		(14,171,410)	(51,609,258)
Earnings per share			
Basic and diluted, loss per share for the year attributable to ordinary equity holders of the parent	29	**(0.15)**	(0.49)

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	***2021*** ***SR***	*2020* *SR*
NET LOSS FOR THE YEAR		**(14,171,410)**	(51,609,258)
OTHER COMPREHENSIVE INCOME			
Items that will not to be reclassified to consolidated statement of income:			
Equity investment at FVOCI – net change in fair value	10	**159,335**	(5,057,678)
Actuarial (loss) / gain on re-measurement of employees' terminal benefits liabilities	19	**(737,058)**	2,552,300
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(14,749,133)**	(54,114,636)
Attributable to:			
Equity holders of the parent		**(15,736,825)**	(52,072,240)
Non-controlling interest		**987,692**	(2,042,396)
		(14,749,133)	(54,114,636)

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to the equity holders of the parent							
	Notes	*Share capital SR*	*Statutory reserve SR*	*Consensual 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*
For the Year ended 31 December 2021									
At 1 January 2021		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**
Net loss of the year		-	-	-	(15,184,007)	-	(15,184,007)	1,012,597	**(14,171,410)**
Other comprehensive loss for the year		-	-	-	(712,153)	159,335	(552,818)	(24,905)	**(577,723)**
Total comprehensive loss for the year		-	-	-	(15,896,160)	159,335	(15,736,825)	987,692	**(14,749,133)**
Transfer of consensual reserve	22	-	-	(143,002,490)	143,002,490	-	-	-	-
At 31 December 2021		**1,000,000,000**	**500,000,000**	-	**128,491,258**	**(4,898,343)**	**1,623,592,915**	**59,387,923**	**1,682,980,838**
For the Year ended 31 December 2020									
At 1 January 2020		1,000,000,000	500,000,000	143,002,490	98,399,490	-	1,741,401,980	50,346,543	1,791,748,523
Net loss of the year		-	-	-	(49,494,612)	-	(49,494,612)	(2,114,646)	(51,609,258)
Other comprehensive loss for the year		-	-	-	2,480,050	(5,057,678)	(2,577,628)	72,250	(2,505,378)
Total comprehensive Loss for the year		-	-	-	(47,014,562)	(5,057,678)	(52,072,240)	(2,042,396)	(54,114,636)
Dividends	23	-	-	-	(50,000,000)	-	(50,000,000)	(2,200,800)	(52,200,800)
Non-controlling interests		-	-	-	-	-	-	12,296,884	12,296,884
At 31 December 2020		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

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	***2021*** *SR*	*2020* *SR*
OPERATING ACTIVITIES			
Loss for the year		**(14,171,410)**	(51,609,258)
Adjustments for:			
Depreciation of property and equipment	13	**100,179,813**	87,400,137
Depreciation of right of use assets	12	**14,367,421**	17,560,092
Impairment losses on trade receivables, net	6	**738,991**	6,401,660
Provision of slow-moving inventory	9	**-**	1,749,662
Share of results of equity accounted investees	11	**4,289,852**	1,738,937
Gain on sale of property and equipment		**(236,929)**	(76,492)
Gain on lease liability extinguishment		**(1,058,171)**	-
Provision for employees' terminal benefits	19	**8,497,676**	6,842,981
Zakat charge	18	**9,312,287**	7,579,300
Financial charges on lease liabilities		**13,741,547**	15,758,507
Financial charges on Term loans		**22,418,805**	33,241,431
		158,079,882	126,586,957
Changes in:			
Trade receivables		**(29,039,513)**	17,933,591
Prepayments and other current assets		**35,620,029**	(34,271,649)
Inventories		**1,714,684**	2,489,688
Trade payables		**4,959,816**	(22,009,196)
Accrued expenses and other current liabilities		**2,283,881**	7,582,445
Due to related parties		**(815,469)**	(186,089)
Cash from operations		**172,803,310**	98,125,747
Zakat paid	18	**(8,973,387)**	(7,425,477)
Employees' terminal benefits paid	19	**(7,552,755)**	(7,286,418)
Net cash generated from operating activities		**156,277,168**	83,413,852
INVESTING ACTIVITIES			
Additions to property and equipment	13	**(64,643,265)**	(29,991,379)
Additions to projects under construction	14	**(25,219,566)**	(67,880,334)
Proceeds from sale of property and equipment		**509,058**	76,492
Additional investment in equity accounted investees	11	**(9,142,377)**	-
Net cash used in investing activities		**(98,496,150)**	(97,795,221)
FINANCING ACTIVITIES			
Long-terms loans proceed		**158,070,470**	350,593,934
Repayment of long term loans		**(174,704,239)**	(289,956,594)
Dividends paid		**(319,915)**	(52,971,450)
Payments of lease liabilities		**(18,322,287)**	(10,991,286)
Dividends paid to non-controlling interest		**-**	(2,200,800)
Net change in non-controlling interest		**-**	12,296,884
Finance cost paid on term loans		**(25,685,582)**	(33,241,431)
Net cash used in financing activities		**(60,961,553)**	(26,470,743)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,180,535)**	(40,852,112)
Cash and cash equivalents at the beginning of the year		**94,828,467**	135,680,579
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**91,647,932**	94,828,467
NON-CASH TRANASCATIONS:			
Transfer of consensual reserve	22	**143,002,490**	-
Transfer of projects under construction	14	**55,550,309**	263,351,596
Lease adjustments	12	**55,289,857**	3,224,284
Finance cost on lease capitalized in projects under construction		**891,338**	991,978

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

1 REPORTING ENTITY

Dur Hospitality Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company formed under the Regulations for Companies and is registered in the 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 consolidated financial statements include the financial information of the Company and the following subsidiaries (together referred to as the "Group"):

Subsidiary	*Share Capital SR*	*Direct and indirect Ownership %* ***31 December 2021***	*31 December 2020*
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%
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). 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 Hospitaltiy 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).

1 REPORTING ENTITY (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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (referred to thereafter as “IFRS”).

2.2 BASIS OF MEASUREMENT

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FUNTIONAL AND PRESENTATION CURRENCY

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

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
Exposure, or rights, to variable returns from its involvement with the investee;
The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. In support of this assumption and, when the Group has less than a majority of the voting rights or similar rights in the investee, the Group takes into consideration all relevant facts and circumstances when determining whether it exercises control over the investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When a Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Non-controlling interest ("NCI") represents the interest in subsidiary companies, not held by the Group. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group.

2.5 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing these consolidated financial statements:

Cash and cash equivalents

Cash and bank balances in the consolidated statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash and short term deposits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- It is held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period; Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Company classifies all other liabilities as non-current.

Financial instruments

Initial recognition and subsequent measurement and derecognition

Financial assets
Initial recognition and measurement
Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model.

The Group has the following financial assets

Financial assets at amortized cost:
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in consolidated statement of income when the asset is derecognised, modified or impaired.
The Group's financial assets at amortised cost includes trade receivables and amounts due from related parties.

Trade receivables
Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in "Revenue from contracts with customers".

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Investments at fair value through other comprehensive income (FVOCI)
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as held at FVOCI. Designation at FVOCI is not permitted if the equity investments is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity investments held at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserves. The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these equity investments are recognized in consolidated statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The right to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

  a) The Company has transferred substantially all the risks and rewards of the asset, or
  b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based in its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument.

All financial liabilities are recognized initially at fair value, and, in the case of bank facilities and payables, these are stated net of directly attributable transaction costs.

The Company's financial liabilities includes trade payable, term loans and amounts due to related parties.

Term loans
This is the category most relevant to the Group. After initial recognition, interest-bearing term loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of income.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories
Inventories are measured at the lower of cost or net realizable value. Cost is determined using the weighted average method. Cost of inventory includes purchase price plus all incurred expenditures in order to bring the inventory to its existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. A provision for obsolete, slow moving and defective inventories is made, when necessary.

Investment in equity accounted investees
The Group's investments accounted for using the equity method comprise interests in associates. An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining whether significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in equity accounted investees using the equity method. Under the equity method, the investment in is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the investees since the acquisition date. Goodwill relating to the investees is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Group's share of the results of operations of the investees. Any change in other statement of other comprehensive income ("OCI") of those investees is presented as part of the consolidated statement of other comprehensive income of the Group. In addition, when there has been a change recognised directly in the equity of the investees, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the investees are eliminated to the extent of the interest in those investees.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Investment in equity accounted investees (continued)

The aggregate of the Group's share of profit or loss of investees is shown separately on the face of the consolidated statement of income.

The consolidated financial statements of the investees are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its investees. At each reporting date, the Group determines whether there is any objective evidence that the investment in the investees is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value, and then recognises the loss as 'share of net results of investment in equity accounted investees' in the consolidated statement of income.

Right to use assets (ROU)

On initial recognition, at inception of the contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

The Group applies the cost model, and measures right of use assets at cost:

- less any accumulated depreciation and any accumulated impairment losses; if any, and
- adjusted for any re-measurement of the lease liability for lease modifications, if any.

If there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transaction, etc., these need to be added to the RoU asset value.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs (if any) for long-term projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of income as incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

Projects under construction

Projects under construction are presented at cost and are not depreciated. Depreciation on projects under construction commences when the assets are ready for their intended use and transferred to property and equipment. Finance charges in respect of loans used to finance the construction of the qualifying assets are capitalized during the period of time necessary to complete and prepare the asset for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income. After the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Dividends
The Group recognises a liability to make cash or non-cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. Final dividends are recognised as a liability at the time or at the period of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors. A corresponding amount is recognised directly in consolidated statement of changes in equity.

Zakat
The Company and its subsidiaries are subject to Zakat in accordance with the zakat regulation issued by the Zakat, Tax and Customs Authority ("ZATCA") in the KSA, which is also subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakatable profit or based on net equity using the basis defined in the zakat regulation (the Zakat base). The management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. The zakat provision is charged to the consolidated statement of income. Additional Zakat liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the period in which the final assessments are finalised.

Value-Added Tax ("VAT")
Expenses and assets are recognised net of the amount of value added tax, except, where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with

the amount of VAT included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Employees' defined benefits

Short term employees' benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognises contribution payable to the GOSI as an expense when due.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognised and reported within other reserves under the consolidated statement of changes in equity with corresponding debit or credit to consolidated statement of other comprehensive income that comprises of actuarial gains and losses on the defined benefits obligation.

Lease liabilities

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Group measures the lease liability by:

a) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Lease liabilities (continued)
The lease payments are discounted using the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Group as a lessor (rental income)
When the Group acts as a lessor, it determines at the inception of the lease whether each lease is a finance lease or operating lease. To classify each lease, the Group makes an overall assessment whether the lease transfers substantially all the risks and rewards incidental to the ownership of the underlying asset. If that is the case then the lease finance lease, otherwise it is an operating lease.

The Group does not have any finance leases as a lessor. The Group recognises lease payments under the operating leases as income on straight-line basis over the lease term.

Statement of cash flows
The Group has classified the cash payments of principal and finance cost elements of leases as financing activities.

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.

Revenues
Revenue from contracts with customers

Revenues from sales food and beverages
Revenue are recognized at a point of time when the control over the goods or services is transferred to the customer in an amount that reflects the compensation earned by the Group for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenues for rooms
Revenue from rooms occupancy is recognized over time.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Revenues from other hospitality services
Revenues from other hospitality services provided in the Group's hotels are recognized when the services are provided to the customer.

Properties management fees
Earned from hotels managed by the Group, usually under long-term contracts with the hotel owners. Management fees include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability; recognised when earned on an accrual basis under the terms of the contract.

Costs and expenses

Expenses are recognized when incurred on accrual basis of accounting. Expenses are classified as follows:
(a) Cost of revenue: These include the cost directly attributable to sales of goods and provision of services, i.e. directly related to revenue recognized.
(b) Selling and marketing: These are arising from the Company's efforts underlying the selling and marketing functions.
(c) General and administrative expenses: All other expenses other than finance costs are classified as general and administrative expenses.

Allocations between cost of revenue, selling and marketing expenses and general and administrative expenses, when required, are made on consistent basis.

Finance income and finance cost

Finance income includes interest income which is recognized as it accrues in statement of profit or loss, using the effective interest method. Dividend income is recognized in consolidated statement of profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise financial charges on term loans that are recognized in consolidated statement of profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis within finance cost.

Foreign currencies
The Group's consolidated financial statements are presented in Saudi Riyal, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of income reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated financial statements date. All differences are recognised in consolidated statement of income.

Segment information
A segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Chief Operating Decision maker to make decision about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Changes in accounting policies

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or before 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. These amendments had no impact on the consolidated financial statements of the Group.

2.7 New standard issues, standard issued but not yet effective

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify :

•What is meant by a right to defer settlement
•That a right to defer must exist at the end of the reporting period
•That classification is unaffected by the likelihood that an entity will exercise its deferral right
•That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 New standard issues, standard issued but not yet effective (continued)

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods orservices include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. This amendment is not applicable to the Group.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 New standard issues, standard issued but not yet effective (continued)

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities (continued)

These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Acounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

In preparing these 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.

Core estimates and assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group used its assumptions and estimates on parameters available when the 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.

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES (CONTINUED)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its 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.

Expected credit losses for 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.

Employees' defined benefit obligations
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
The management reviews useful lives and residual values of property and equipment annually. Any change in the estimated useful life or depreciation pattern will be accounted for prospectively. There was no change in useful lives of property and equipment during the year.

Going concern
The 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 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:

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 primarily comprise of residential compounds and commercial complexes.
Others	:	represents corporate office and other support services departments.

4 OPERATING SEGMENTS (CONTINUED)

Following is a summary of certain financial information for the two years ended 31 December:

2021 ***SR***	***Hospitality***	***Property management***	***Property rental***	***Others***	***Elimination***	***Total***
Revenue from external customer	**348,382,921**	**1,520,903**	**123,246,132**	**-**	**-**	**473,149,956**
Inter-segment revenue	**16,325,693**	**-**	**10,451,292**	**-**	**(26,776,985)**	**-**
Cost of revenue	**391,608,220**	**3,219,740**	**45,204,609**	**-**	**(26,380,585)**	**413,651,984**
Gross (loss)/ profit	**(26,899,606)**	**(1,698,837)**	**88,492,815**	**-**	**(396,400)**	**59,497,972**
Depreciation of property and equipment and right of use assets	**91,333,137**	**-**	**23,214,097**	**-**	**-**	**114,547,234**
Property and equipment	**1,819,222,611**	**-**	**892,267,563**	**-**	**-**	**2,711,490,174**
Right of use assets	**210,354,619**	**-**	**19,206,489**	**-**	**-**	**229,561,108**
Projects under construction	**88,430,056**	**-**	**7,076,999**	**-**	**-**	**95,507,055**
Total assets	**1,665,688,308**	**5,243,101**	**1,617,977,800**	**655,236,965**	**(538,966,519)**	**3,405,179,655**
Total liabilities	**1,606,164,330**	**12,365,194**	**142,239,452**	**594,761**	**(39,164,920)**	**1,722,198,817**

2020 *SR*	*Hospitality*	*Property management*	*Property rental*	*Others*	*Elimination*	*Total*
Revenue from external customer	321,033,619	1,668,123	119,617,815	-	-	442,319,557
Inter-segment revenue	6,883,799	-	17,550,429	-	(24,434,228)	-
Cost of revenue	360,097,087	4,407,118	41,020,323	-	(24,029,228)	381,495,300
Gross profit	(32,179,669)	(2,738,995)	96,147,921	-	(405,000)	60,824,257
Depreciation of property and equipment and right of use assets	84,268,120	-	20,692,109	-	-	104,960,229
Property and equipment	1,784,100,214	-	914,324,796	-	-	2,698,425,010
Right of use assets	259,758,719	-	19,649,760	-	-	279,408,479
Projects under construction	119,406,196	-	5,540,264	-	-	124,946,460
Total assets	1,816,174,065	2,533,633	1,514,697,830	653,932,942	(508,734,337)	3,478,604,133
Total liabilities	1,630,661,313	9,863,930	146,130,858	(261,928)	(5,520,011)	1,780,874,162

Reconciliation of information on reportable segments to income before zakat of the Group for the two years ended 31 December:

	2021 ***SR***	*2020* *SR*
Gross profit of operating segments	**59,497,972**	60,824,257
Un-allocated amount:		
Selling and marketing	**(1,980,451)**	(1,473,879)
General and administration	**(31,291,713)**	(53,596,364)
Financial charges on term loans	**(23,144,856)**	(33,241,431)
Financial charges on lease liabilities	**(13,741,547)**	(15,758,507)
Finance income	**38,205**	324,434
Other income, net	**10,053,119**	630,469
Share in net results of equity accounted investees	**(4,289,852)**	(1,738,937)
Total un-allocated amount	**(64,357,095)**	(104,854,215)
Loss before zakat	**(4,859,123)**	(44,029,958)

5 CASH AND CASH EQUIVALENTS

	2021	*2020*
	SR	*SR*
Bank balances	**73,860,474**	77,916,977
Short term deposits	**17,000,000**	16,000,000
Cash on hand	**787,458**	911,490
	91,647,932	94,828,467

Terms and conditions of the above financial assets:

(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 35 basis point. Finance income amounted to SR 38,205 for the year ended 31 December 2021 (2020: SR 324,434).
(b) As at 31 December 2021, the Group has available cash facilities amounting SR 171.3 million (2020: SR 307.5 million) representing unwithdrawn cash from the cash facility granted.
(c) The transactions mentioned in note 28, include an overdraft US dollar bank account amounting to SR 20.83 million as of 31 December 2021 (2020: SR 7.6 million) with the financial institution and the Group did not use it or account for it in these consolidated financial statements.

6 TRADE RECEIVABLES

	2021	*2020*
	SR	*SR*
Trade receivables	**170,475,362**	143,386,661
Provision for expected credit loss	**(25,233,972)**	(26,445,793)
	145,241,390	116,940,868

(a) Trade receivables mature within a period ranging from 30 to 90 days. The carrying value of trade receivables is affected by the change in the credit rating of other parties.
(b) Trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities are, therefore, unsecured.
(c) As at 31 December 2021, trade receivables include balances amounting to SR 82.6 million (2020: SR 71 million) due from governmental and government related customers. These parties have an extended credit period compared to the other regular customers.

Movement in provision for expected credit loss for the two years ended 31 December:

	2021	*2020*
	SR	*SR*
At 1 January	**26,445,793**	20,044,133
Charge for the year (note 26)	**738,991**	6,401,660
Recovered during the year (note 26)	**(1,473,173)**	-
Bad debts written off during the year	**(477,639)**	-
At 31 December	**25,233,972**	26,445,793

6 TRADE RECEIVABLES (CONTINUED)

Aging analysis of trade receivables
Following is the provision criteria used for expected credit loss for trade receivables as of 31 December:

	Total SR	*0-90 days SR*	*91-120 days SR*	*121-365 days SR*	*1-2 years SR*	*2-3 years SR*	*3-4 years SR*	*>4 years*
Provision for expected credit loss								
2021	**25,233,972**	**-**	**107,462**	**1,199,893**	**1,457,374**	**4,641,444**	**3,926,148**	**13,901,651**
2020	26,445,793	-	155,722	1,174,077	4,298,006	5,201,795	5,895,973	9,720,220
Trade receivables								
2021	**170,475,362**	**67,309,923**	**6,549,651**	**45,327,933**	**10,890,663**	**11,478,465**	**14,686,060**	**14,232,667**
2020	143,386,661	58,448,978	13,994,938	17,718,865	20,061,703	16,888,849	6,444,530	9,828,798
Weighted average expected loss rate								
2021	14.80%	**-**	**1.64%**	**2.65%**	**13.38%**	**40.44%**	**26.73%**	**97.67%**
2020	18.44%	**-**	**1.11%**	**6.63%**	**21.42%**	**30.80%**	**91.49%**	**98.90%**

Refer to note 31 for information about the credit risk exposure on the Group’s trade receivables.

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	2021	*2020*
	SR	*SR*
Advance for rent (*)	**58,818,607**	58,818,607
Prepayments	**10,978,260**	12,565,446
Contract assets	**5,769,217**	3,846,145
Advances to employees	**3,310,210**	2,977,907
Amounts due from related parties (note 8)	**3,710,899**	2,367,809
Advances to suppliers	**2,034,216**	37,326,870
Advances for real estate projects	**1,796,104**	5,383,841
Others	**8,684,662**	7,435,579
	95,102,175	130,722,204

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

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include the shareholders, the key management personnel and the companies where the Group, the shareholders, the board of directors or key management personnel has control, joint control or significant influence. During its ordinary course of business, the Group transacts with related parties in accordance with the terms approved by management. The transactions represent services exchanged between the entities.

Details of transactions and resulted balances are as follows:

a) Due from related parties

			Amount of transactions		*Balance*	
			2021	*2020*	***2021***	*2020*
Related Party	***Relation***	***Nature of transaction***	***SR***	*SR*	***SR***	*SR*
Al Yasmin Compound owned by Assila Investment Company	A company owned by shareholders	Management fees income	**403,593**	409,693	**1,814,605**	1,371,199
Al-Maather Compound owned by Assila Investment Company	A company owned by shareholders	Management fees income	**598,342**	552,977	**1,072,468**	490,654
Um Al qura Hotel owned by Assila Investment Company	A company owned by shareholders	Management fees income	**94,721**	70,552	**555,508**	206,596
Makarim Al Bait Hotel owned by Assila Investment Company	A company owned by shareholders	Management fees income	**1,432**	2,599	**133,937**	94,378
Others	Companies owned by shareholders	Technical fees income	**167,849**	945,050	**134,381**	204,982
					3,710,899	2,367,809

8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Due to related parties

			Amount of transactions		*Balance*	
Related Party	***Relation***	***Nature of transaction***	***2021 SR***	*2020 SR*	***2021 SR***	*2020 SR*
Al Jazira and Dawudia Compounds	Owned by a partner in an equity accounted investee	Management fees income	**-**	-	**18,460,369**	18,460,369
Al Madinah Hotels Company Limited	Equity accounted investee	Management fees income	**-**	-	**14,651,496**	14,651,496
Al Rawda Residence Compound owned by Assila Investment Company	A company owned by shareholders	Management fees income	**172,143**	259,225	**2,085,678**	2,336,959
Makarem Mena Hotel owned by Assila Investment Company	A company owned by shareholders	Management fees income	**8,961**	7,146	**935,308**	1,016,133
Al Andalus Residence Compound owned by Assila Investment Company	A company owned by shareholders	Management fees income	**161,654**	190,352	**434,024**	849,258
Others	Companies owned by shareholders	Management fees income	**115,946**	472,406	**591,872**	660,001
					37,158,747	37,974,216

8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with members of the Board of Directors:
There are transactions with financial institutions having common members of the Board of Directors. The Group obtained facilities from these financial institutions having outstanding balances aggregating SR 654,367,054 as at 31 December 2021 (2020:SR 740,569,674).

Key management personnel's benefits and compensation
The senior management represents the key members of the Company's management who have the powers and responsibilities to plan, direct and control the Company's activities. Key management personnel's benefits & compensation are as follows:

	Amount of Transactions	
	2021	*2020*
	SR	*SR*
Salaries and benefits - key management personnel	**3,938,550**	3,775,604
Employees' terminal benefits - key management personnel	**238,606**	314,634
BOD remuneration, attendance allowance and committee's remuneration	**3,774,000**	3,150,000

Terms and conditions relating to related party balances
Outstanding balances with related parties at the year end are unsecured, interest free, settled in cash and due within 12 months of statement of consolidated financial position date. There have been no guarantees received or provided for any related party receivables or payables. For the years ended 31 December 2021 and 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period by examining the financial position of each related party and the market in which the related party operates.

9 INVENTORIES

	2021	*2020*
	SR	*SR*
Linens	**4,262,750**	5,580,872
Accessories and silverware	**3,355,383**	3,635,644
Spares	**2,703,609**	2,771,809
Food and beverages	**2,435,388**	2,701,010
Operation supplies	**2,064,747**	1,311,286
Kitchen tools and equipment	**1,933,870**	2,593,012
Stationery and printing	**990,746**	867,544
(Less) Inventory provision	**(640,982)**	(640,982)
	17,105,511	18,820,195

Movement in provision for slow moving inventories for the two years ended 31 December:

	2021	*2020*
	SR	*SR*
At 1 January	**640,982**	-
Charge for the year (note 25)	-	1,749,662
Inventory written off during the year	-	(1,108,680)
At 31 December	**640,982**	640,982

10 INVESTMENT AT FVOCI

The group owns 1.67% of the capital of National Tourism Company which is a limited liability company registered in the Kingdom of Saudi Arabia. The movement in the fair value of the investment is as follows

	2021 ***SR***	*2020* *SR*
Cost at 1 January and 31 December	**7,000,000**	7,000,000
Fair value reserve		
At 1 January	**(5,057,678)**	-
Change in fair value during the year	**159,335**	(5,057,678)
Fair value reserve at 31 December	**(4,898,343)**	(5,057,678)
Fair value at 31 December	**2,101,657**	1,942,322

11 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Investment in equity accounted investees represent investments in the following companies which are limited liability companies. All companies below are registered in the Kingdom of Saudi Arabia. The Group's investments in these companies is accounted for using the equity method in the consolidated financial statements.

	Ownership			
	2021 **%**	*2020* *%*	***2021*** ***SR***	*2020* *SR*
Name of the equity accounted investees				
Saudi Company for Heritage Hospitality (**)	**25**	25	**6,642,678**	8,427,839
Al Madinah Hotels Company Limited	**50**	50	**4,142,289**	4,142,289
Al-Madina Tower Real Estate Company (*)	**49**	-	**6,637,686**	-
			17,422,653	12,570,128

Movement in the investment in equity accounted investees for the two years ended 31 December:

	2021 ***SR***	*2020* *SR*
At the beginning of the year	**12,570,128**	14,309,065
Additions	**9,142,377**	-
Share in net results	**(2,504,691)**	(1,738,937)
Impairment of an equity accounted investee	**(1,785,161)**	-
At the end of the year	**17,422,653**	12,570,128

(*) Dur Hospitality Company has entered into a partnership agreement with Awqaf Investment Company (the investment arm of 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 a 5-stars hotel, which will be operated by Dur Hospitality Company under the "Makarem Brand". The project will be financed in accordance with capital ownership of each of the parties.

11 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

(*) During 2021, Saudi Company for Heritage Hospitality is going through a liquidation formality, the Group has recognized an impairment representing difference between proposed liquidation proceeds and the investment carrying value. The Group is yet to receive liquidation proceeds.

12 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:

	Lands	*Buildings*	*Total*
	SR	*SR*	*SR*
Cost:			
As at 1 January	54,973,553	259,721,033	314,694,586
Additions during the year	-	19,809,907	19,809,907
Lease adjustments (a)		(58,403,111)	(58,403,111)
As at 31 December 2021	54,973,553	221,127,829	276,101,382
Depreciation:			
As at 1 January	3,327,440	31,958,667	35,286,107
Charge for the year	2,383,120	11,984,301	14,367,421
Lease adjustment (a)	-	(3,113,254)	(3,113,254)
	5,710,560	40,829,714	46,540,274
Net book values:			
As at 31 December 2021	**49,262,993**	**180,298,115**	**229,561,108**
Cost:			
As at 1 January	51,341,613	262,945,317	314,286,930
Additions during the year	3,631,940	-	3,631,940
Lease adjustments (a)	-	(3,224,284)	(3,224,284)
As at 31 December 2020	54,973,553	259,721,033	314,694,586
Depreciation:			
As at 1 January	1,721,115	16,004,900	17,726,015
Charge for the year	1,606,325	15,953,767	17,560,092
	3,327,440	31,958,667	35,286,107
Net book values:			
As at 31 December 2020	51,646,113	227,762,366	279,408,479

(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 has been allocated in the consolidated statement of income for the years ended 31 December to cost of revenue.

13 PROPERTY AND EQUIPMENT

	Lands	*Buildings*	*Building improvements*	*Furniture*	*Motor vehicles*	*Machinery and equipment*	*Elevators and central air conditioning*	***Total***
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	***SR***
Cost:								
At the beginning of the year	738,422,519	2,127,035,874	137,403,102	379,519,249	7,421,172	168,217,036	113,134,640	**3,671,153,592**
Additions	5,650,000	31,020,660	7,310,577	7,004,968	425,506	13,188,042	43,512	**64,643,265**
Disposals	-	-	(3,345,686)	(3,490,800)	(63,000)	(3,709,346)	-	**(10,608,832)**
Transfer from projects under construction (note 14)	-	22,562,604	969,325	20,424,656	-	9,957,935	1,635,789	**55,550,309**
Adjustments (a)	-	(6,676,468)	-	-	-	-	-	**(6,676,468)**
As 31 December	744,072,519	2,173,942,670	142,337,318	403,458,073	7,783,678	187,653,667	114,813,941	**3,774,061,866**
Accumulated depreciation								
At the beginning of the year	-	532,794,363	89,707,338	243,725,507	6,943,661	63,171,011	36,386,702	**972,728,582**
Charge for the year	-	44,070,275	7,513,168	25,681,530	155,915	19,381,422	3,590,315	**100,392,625**
Disposals	-	-	(3,345,686)	(3,413,128)	(63,000)	(3,514,889)	-	**(10,336,703)**
Adjustments (a)	-	(212,812)	-	-	-	-	-	**(212,812)**
As 31 December	-	576,651,826	93,874,820	265,993,909	7,036,576	79,037,544	39,977,017	**1,062,571,692**
Net Book Value:								
As at 31 December 2021	**744,072,519**	**1,597,290,844**	**48,462,498**	**137,464,164**	**747,102**	**108,616,123**	**74,836,924**	**2,711,490,174**

(a) During the year ended 31 December 2021, the Company re-estimated cost of certain items of the projects by SR 6.6 million.

13 PROPERTY AND EQUIPMENT (CONTINUED)

	Lands *SR*	*Buildings* *SR*	*Buildings improvements* *SR*	*Furniture,* *SR*	*Motor vehicle* *SR*	*Machinery and equipment* *SR*	*Elevators and central air conditioning* *SR*	*Total* *SR*
Cost:								
At the beginning of the year	738,422,519	1,940,405,492	121,035,645	345,570,237	7,291,889	120,482,739	107,291,738	3,380,500,259
Addition	-	9,216,855	2,367,457	3,230,671	129,283	14,561,413	485,700	29,991,379
Disposals	-	(583,837)	-	(1,797,898)	-	(237,967)	(69,940)	(2,689,642)
Transferred from projects under construction (note 14)	-	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
Accumulated 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

13 PROPERTY AND EQUIPMENT (CONTINUED)

The depreciation charge has been allocated in the consolidated statement of income for the years ended 31 December as follows:

	2021	*2020*
	SR	*SR*
Cost of revenue (note 25)	**98,069,697**	83,170,097
General and administrative expenses (note 26)	**2,110,116**	4,230,040
	100,179,813	87,400,137

14 PROJECTS UNDER CONSTRUCTION

Movement in projects under construction for the two years ended 31 December is as follows:

	2021	*2020*
	SR	*SR*
At 1 January	**124,946,460**	319,425,744
Additions during the year	**26,110,904**	68,872,312
Transfers to property and equipment (note 13)	**(55,550,309)**	(263,351,596)
At 31 December	**95,507,055**	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 includes contractors' costs in addition to project management expenses, design expenses, and other miscellaneous expenses. The board of directors review the progress of these projects on timely basis and there is no decision been taken to cancel any of these projects.

(b) Transfers into property and equipment during 2021 amounting SR 55.6 million mainly represent the cost of construction of renovation of Makkah Hotel (2020: SR 262.3 million representing the cost of construction of Holiday Inn Al-Jubail building, Tuwaiq residential project, Al-Wadi Residential Project and renovation of the Marriott Airport Hotel and Al Takhassusi Plaza).

(c) The amount of borrowing costs for the year ended 31 December 2021 was nil (year ended 31 December 2020: SR 2.8 million). The rate used to determine the amount of borrowing costs eligible for capitalization is the interest rate of the weighted average term loans.

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2021	*2020*
	SR	*SR*
Contract liabilities	**67,504,337**	60,775,152
Payable to contractors	**24,877,518**	35,368,469
Accrued staff benefits	**17,557,874**	14,775,406
Accrued utilities	**14,913,370**	12,899,528
Retentions payable	**14,453,636**	23,092,253
Accrued professional fees and other services	**8,688,330**	4,092,153
Others	**13,593,231**	18,244,699
	161,588,296	169,247,660

16 TERM LOANS

The Group has sustained term loans from number of local banks in the form of Murabaha financing with a total value of SR 1,017 million (2020: SR 1,033 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by promissory notes and assignment of proceeds from certain projects' rentals.

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Group was compliant with the loan covenants as at 31 December 2021 and 2020.

Classification of the term loans is as follows:

	2021	*2020*
	SR	*SR*
Term loans - current portion	**271,761,088**	209,537,984
Term loans - non- current portion	**745,510,575**	824,367,448
	1,017,271,663	1,033,905,432

17 LEASE LIABILITIES

The Company lease contracts include extension options. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised.

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

	2021	*2020*
	SR	*SR*
As at 1 January	**385,880,458**	379,713,599
Additions	**19,809,907**	3,631,940
Lease adjustment	**(56,348,028)**	(3,224,280)
Interest	**14,632,885**	16,750,485
Payments	**(18,322,287)**	(10,991,286)
As at 31 December	**345,652,935**	385,880,458
The present value of the net lease payments is as follows:		
Current	**43,343,159**	29,433,114
Non-Current	**302,309,776**	356,447,344

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

	2021	*2020*
	SR	*SR*
Depreciation expense of right-of-use assets	**14,367,421**	17,560,092
Financial charges on lease liabilities	**13,741,547**	15,758,507
Total amount recognised in consolidated statement of income	**28,108,968**	33,318,599

Company as a lessor

The Company has entered into operating leases on its properties. These leases are short term leases. Rental income recognised by the Company during the year is SR123,246,132 (2020: SR 119,617,815).

18 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 provision for Zakat for the years ended 31 December:

	2021	*2020*
	SR	*SR*
At the beginning of the year	**13,323,298**	13,169,475
Provided during the year	**9,312,287**	7,579,300
Payments made during the year	**(8,973,387)**	(7,425,477)
At the end of the year	**13,662,198**	13,323,298

Zakat status

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

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

ZATCA issued zakat assessment for 2019, which resulted in Zakat differences of SR 3.03 million. The Company has paid all the unobjectionable amounts aggregating SR 1.2 million and raised objections to the rest of the items in dispute. This resulted in the issuance of an amended assessment by ZATCA with an amount due of SR 1.04 million. The Company has filed an objection with the GSTC to consider the items under objection. The matter is still under consideration by GSTC.

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

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

19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES

General description

The Company and its subsidiaries have post-employment defined benefit plans. The benefits are required by Saudi Labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The most recent actuarial valuation was performed by an independent, qualified actuary, licensed by the Saudi Central Bank, using the projected unit credit method.

Key actuarial assumptions

	2021	*2020*
Salary increase rate	**2.40%**	1.9%
Discount rate	**2.40%**	1.9%
Number of employees covered under terminal benefits plan	**1,280**	1,354

19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

Employees' end of service benefit expense:

	2021	*2020*
	SR	*SR*
Current service cost	**7,341,668**	6,355,891
Interest cost on employees' terminal benefit liabilities	**1,156,008**	487,090
Total benefit expense	**8,497,676**	6,842,981

Actuarial gains (losses)

The actuarial gains (losses) charged to the consolidated statement of comprehensive income are as follows:

	2021	*2020*
	SR	*SR*
Actuarial (losses) / gains on employees' terminal benefits liabilities	**(737,058)**	2,552,300

Movement of present value of employees' terminal benefits liabilities for the two years ended 31 December:

	2021	*2020*
	SR	*SR*
Opening present value of employees' terminal benefits liabilities	**59,915,810**	62,911,547
Employees' terminal benefit expense	**8,497,676**	6,842,981
Employees' terminal benefits paid	**(7,552,755)**	(7,286,418)
Actuarial loss / (gain) on employees' terminal benefit liabilities	**737,058**	(2,552,300)
Closing present value of employees' terminal benefits liabilities	**61,597,789**	59,915,810

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as at 31 December is shown below:

Assumptions	***Salary increment rate***		***Discount rate***	
Sensitivity level	***50 bps increase***	***50 bps decrease***	***50 bps increase***	***50 bps decrease***
	SR	***SR***	***SR***	***SR***
2021	**63,156,774**	**58,308,774**	**58,414,598**	**63,066,458**
2020	61,621,676	56,682,266	56,786,139	61,533,697

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employee defined benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

The following represents the amounts expected to be paid or compensation for employees' terminal benefits that are planned for the coming years:

	2021	*2020*
	SR	*SR*
Within 12 months (the next current period)	**7,992,876**	3,411,585
From two years to five years	**29,795,183**	28,854,952
More than five years	**31,454,986**	31,611,211
	69,243,045	63,877,748

20 SHARE CAPITAL

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

21 STATUTORY RESERVE

In accordance with the Company's bylaws, the Company is required to transfer 10% of its annual net income to a statutory reserve until the reserve equals to 30% of the paid share capital. Statutory reserve balance reached 50% of the share capital due to transfers in the prior years and the Company decided to discontinue such transfers. This reserve is not available for distribution.

22 CONSENSUAL RESERVE

In accordance with the Company's By-law, the Company allocates 5% of its annual net income to a consensual reserve. Due to transfers in prior years, the Company has decided to discontinue such transfer. In December 2021, the General Assembly has resolved to transfer SR 143,002,490 to retained earnings.

23 DIVIDENDS PAYABLE

On 18 February 2020, the Board of Directors approved the distribution of cash dividend of SR 50 million (SR 0.5 per share) for the year ended 31 December 2020 which was approved at the General Assembly in its meeting held on 26 April 2020.

As at 31 December 2021, current liabilities include the balance of dividends payable amounting to SR 43.9 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 consolidated statement of financial position.

24 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following is the disaggregation of the Group's revenue from contracts with customers for the years ended 31 December:

2021	***Hospitality SR***	***Rental SR***	***Property Management SR***	***Total SR***
Type of goods or service				
Hospitality services - rooms	228,011,176	-	-	228,011,176
Sales of goods - food and beverage	82,322,315	-	-	82,322,315
Other hospitality revenues	38,049,430	-	-	38,049,430
Rental income	-	123,246,132	-	123,246,132
Management fee	-	-	1,520,903	1,520,903
Total revenue from contracts with customers	**348,382,921**	**123,246,132**	**1,520,903**	**473,149,956**
Timing of revenue recognition				
Over time	266,060,606	123,246,132	1,520,903	390,827,641
At a point in time	82,322,315	-	-	82,322,315
Total revenue from contracts with customers	**348,382,921**	**123,246,132**	**1,520,903**	**473,149,956**

2020	*Hospitality SR*	*Rental SR*	*Property Management SR*	*Total SR*
Type of goods or service				
Hospitality services - rooms	206,117,901	-	-	206,117,901
Sales of goods - food and beverage	82,918,765	-	-	82,918,765
Other hospitality revenues	31,996,953	-	-	31,996,953
Rental income	-	119,617,815	-	119,617,815
Management fee	-	-	1,668,123	1,668,123
Total revenue from contracts with customers	321,033,619	119,617,815	1,668,123	442,319,557
Timing of revenue recognition				
Over time	238,114,854	119,617,815	1,668,123	359,400,792
At a point in time	82,918,765	-	-	82,918,765
Total revenue from contracts with customers	321,033,619	119,617,815	1,668,123	442,319,557

25 COST OF REVENUE

	2021	*2020*
	SR	*SR*
Salaries and benefits	**147,962,737**	116,673,442
Depreciation of property and equipment and right of use assets (notes 12 and 13)	**112,437,118**	100,730,189
Operating supplies	**41,037,242**	53,837,112
Food and beverage	**37,200,610**	25,840,997
Utilities	**25,465,865**	22,226,112
Repair and maintenance	**14,329,617**	13,668,403
Service and operation fees	**13,986,890**	18,659,049
Advertising and promotion activities	**13,976,263**	18,611,756
Commission for travelling agency and credit cards	**4,990,025**	1,894,391
Security and guarding	**1,299,806**	477,102
Pre-operating expenses	**-**	2,444,470
Allowance for slow moving inventory (note 9)	**-**	1,749,662
Others	**965,811**	4,682,615
	413,651,984	381,495,300

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	*2020*
	SR	*SR*
Salaries and other employee benefits	**16,874,584**	19,383,580
Professional fee	**4,274,097**	9,379,682
Board of Director remuneration	**3,774,000**	3,150,000
Subscription	**2,788,284**	1,779,754
Depreciation of property and equipment (note 13)	**2,110,116**	4,230,040
Hospitalities	**467,657**	840,105
Charge of provision for expected credit loss (note 6)	**(734,182)**	6,401,660
Others	**1,737,157**	8,431,543
	31,291,713	53,596,364

27 OTHER INCOME (EXPENSE), NET

	2021	*2020*
	SR	*SR*
Consultancy expense (a)	**(6,975,278)**	-
Income from a contractor's settlement (b)	**9,120,000**	-
Accruals no longer required (c)	**5,000,000**	-
Reimbursement from ZATCA	**1,799,088**	-
Others, net	**1,109,309**	630,469
	10,053,119	630,469

(a) The Company incurred certain expenses of due diligence and other professional services as a result of proposed merger activities that was later suspended in 2022.

27 OTHER INCOME (EXPENSE), NET (CONTINUED)

(b) During 2021, the Company has signed a final settlement agreement with a contractor who agreed to settle portion of the Company's claim in relation to one of the real estate projects. This claim has been fully written off from the Company's books in prior years.

(c) During 2019, the Company has made a provision for contingent maintenance and other pre-opening expenses of newly constructed hotel. Excess provision has been reversed in 2021.

28 COMMITMENTS AND CONTINGENCIES

Capital commitments

During the year ended 31 December 2021, the Group has entered into capital commitments of SR 117.8 million (2020: SR 25.6 million) related to its capital work in progress. The Group has capital commitment in relation to equity accounted investees' projects under construction of SR 116 million.

Contingencies

a) As at 31 December 2021, the Group had issued letters of guarantee amounting to SR 30.2 million (2020: SR 38.9 million). These guarantees are without cash margin.

b) For Zakat related matters, refer to note 18.

Legal claim contingency

In 2018 the Company entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Company disputed the validity of these agreements and filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for Resolution of Securities Disputes ("the CRSD"). During 2021, the CRSD issued its decision to dismiss the Lawsuit due to Lack of Jurisdiction. Further, the Appeal Committee for Resolution of Securities Disputes ("the ACRSD") has endorsed the CRSD decision. On 10 March 2022, the Company has filed a law suit to the Banking Disputes Committee at the Saudi Central Bank ("SAMA") to revoke the agreements. The potential outcome of the new claim cannot be reasonably estimated as this stage.

29 BASIC AND DILUTED EARNINGS PER SHARE

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

	2021 ***SR***	*2020* *SR*
Loss for the year attributable to the equity holders of the Parent	**(15,184,007)**	(49,494,612)
Weighted average number of outstanding shares	**100,000,000**	100,000,000
Basic and diluted loss per share	**(0.15)**	(0.49)

30 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as term loans, lease liabilities, trade payables, due to related parties and accrued expenses and other current liabilities (as shown in the consolidated statement of financial position) less cash and cash equivalents.

Equity comprises all components of equity.

The Group's net debt to equity ratio as at 31 December was as follows:

	2021 ***SR***	*2020* *SR*
Term loans	**1,017,271,663**	1,033,905,432
Lease liabilities	**345,652,935**	385,880,458
Due to related parties	**37,158,747**	37,974,216
Accrued expenses and other current liabilities	**161,588,296**	169,247,660
	1,561,671,641	1,627,007,766
Less: cash and cash equivalents	**(91,647,932)**	(94,828,467)
Net debt	**1,470,023,709**	1,532,179,299
Total equity	**1,682,980,838**	1,697,729,971
Gearing ratio	**87%**	90%

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments risk management objectives and policies

The Group is subject to various financial risks due to its activities including: Market risk (including currency risk, fair value and cash flows of interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Senior management is responsible for risk management. Financial instruments carried on the consolidated statement of financial position include cash and bank balances, short term deposits, investments, trade receivables, due from/to related parties, term loans, and trade payables. The particular recognition methods adopted are disclosed in the accounting policies associated with each item. Financial asset and liability is offset and net amount is reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As Saudi Riyal is pegged to the US Dollar, the Group is not exposed to significant risk.

The management closely and continuously monitors the exchange rate fluctuations.

Interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risk associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's exposure to interest rate risk primarily relates to the Group's term loans. The Group manage its financing through optimising available cash and minimising term loans.

At 31 December 2021, if the interest rate were to vary by +/- 1%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 10.02 million (2020: Saudi Riyals 10.03 million) effecting the loss for the year.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables, bank balances and short-term deposits and due from related parties as of 31 December:

	2021	*2020*
	SR	*SR*
Bank balances and short-term deposits	**91,647,932**	94,828,467
Trade receivables	**145,241,390**	116,940,868
Due from related parties	**3,710,899**	2,367,809
	240,600,221	214,137,144

The carrying amount of financial assets represents the maximum credit exposure.

Bank balances and short term deposits

The Group has kept its surplus funds with banks in Kingdom of Saudi Arabia having sound credit ratings, therefore, credit risk on bank balance and short term deposits is considered by management to be insignificant.

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables
Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer assessed based on an extensive credit rating scorecard and individual credit limits defined in accordance with this assessment.

The Group measures the trade receivable net of provision for expected credit loss. For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. 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 (see note 6).

As at 31 December 2021, more than 22% (2020: 36%) of the Group's customers are corporate, and an expected credit loss has been recognised against these customers amounted to SR 3.3 million (2020: SR 3.4 million).

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or corporate, their geographic location, industry, trade history with the Group and existence of previous financial difficulties.

Due from related parties
The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period by examining the financial position of each related party and the market in which the related party operates.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at 31 December:

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2021	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years*	***Total SR***
Term loans	271,761,088	745,510,575	-	**1,017,271,663**
Trade payables	41,327,895	-	-	**41,327,895**
Accrued expenses and other payable	161,588,296	-	-	**161,588,296**
Due to related parties	37,158,747	-	-	**37,158,747**
Lease liabilities	43,343,159	39,923,384	262,386,392	**345,652,935**
	555,179,185	**785,433,959**	**262,386,392**	**1,602,999,536**

2020	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years*	*Total SR*
Term loans	209,537,984	824,367,448	-	1,033,905,432
Trade payables	36,368,079	-	-	36,368,079
Accrued expenses and other payable	169,247,660	-	-	169,247,660
Due to related parties	37,974,216	-	-	37,974,216
Lease liabilities	29,433,114	86,428,086	270,019,258	385,880,458
	482,561,053	910,795,534	270,019,258	1,663,375,845

32 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 and due to related parties.

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 consolidated financial statements as the current Murabaha 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.

32 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial Assets

	2021	*2020*
	SR	*SR*
Financial assets classified as available for sale		
Investment at FVOCI	**2,101,657**	1,942,322
Financial assets carried at amortised cost		
Trade receivables	**145,241,390**	116,940,868
Due from related parties	**3,710,899**	2,367,809
Total financial assets carried at amortised cost	**148,952,289**	119,308,677
Total financial assets	**151,053,946**	121,250,999
Total current financial assets	**148,952,289**	119,308,677
Total non-current financial assets	**2,101,657**	1,942,322
	151,053,946	121,250,999

Financial liabilities

	2021	*2020*
	SR	*SR*
Financial liabilities carried at amortised cost		
Trade payables	**41,327,895**	36,368,079
Term loans	**1,017,271,663**	1,033,905,432
Due to related parties	**37,158,747**	37,974,216
Total financial liabilities carried at amortised cost	**1,095,758,305**	1,108,247,727
Total current financial liabilities	**350,247,730**	283,880,279
Total non-current financial liabilities	**745,510,575**	824,367,448
	1,095,758,305	1,108,247,727

33 IMPACT OF COVID-19

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

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

33 IMPACT OF COVID-19 (CONTINUED)

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

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

34 COMPARATIVE FIGURES

Certain of the comparative numbers have been reclassified to conform with the current year presentation.

35 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. After the initial discussions and studies, on 12 March 2022, the boards of directors of the two companies have agreed to end the initial discussions relating to the merger of the two companies and not to proceed with it.

There are no other matters that have occurred up to and including the date of the approval of the financial statements which could materially affect the consolidated financial statements and the related disclosures for the year ended 31 December 2021.

36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 23 Sha'aban 1443H (corresponding to 26 March 2022).