Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND THE INDEPENDENT AUDITOR’S REPORT

31 December 2022

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(A Saudi Joint Stock Company)

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

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 2022, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, 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 endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

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 the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 period. 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. For each matter 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.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property and equipment and projects under construction At 31 December 2022, total property and equipment and projects under construction of the Group amounted to SR 2,849 million, representing 83.3% of total assets. The carrying values of these property and equipment and projects under construction 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 requires 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 and note (14) for the disclosure of projects under construction	Audit procedures included, among others, 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 Cash Generating Units (CGU) associated with property and equipment during the year. • Reviewed the internal reports (including the Board of Directors minutes of meetings) to assess the future plans in relation to property and equipment. • Validated the mathematical accuracy of impairment models and agreed relevant data to the latest business plans and budgets. • Assessed the adequacy of the Group's disclosures relating to impairment of non-financial assets in the consolidated financial statements.

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 24, to the consolidated financial statements, the Company is disputing the validity of two Interest Rate Swap derivative agreements with notional amount of SR 775 million ("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. Management had earlier not accounted for these derivatives and our Audit report for prior periods was qualified in respect of the same. In the current year, management has rectified this by retrospectively accounting for these derivatives. 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 financial position, results of operations or future cash flows. Refer to note (2-5) to the consolidated financial statements for the accounting policy of contingent liabilities, note (24) for the disclosure of derivatives and note (35) for prior periods adjustments.	Audit procedures included, among others, 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 2022. • 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 2022 with a particular focus on the overall progress of the Lawsuit. • Obtained letter from external legal counsel of the Company's on the status of the legal proceeding. • Assessed retrospective error correction in the prior periods and ensured such retrospective adjustment as in note (35), is in compliance with IAS (8). • Assessed the adequacy of the relevant disclosure included in the consolidated financial statements.

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

Other information included in The Group's 2022 Annual Report

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2022 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.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors 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 endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors 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.

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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)

- 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.

- Conclude on the appropriateness of the Board of Directors' 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.

- 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 period 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
License No. 354

Riyadh: 8 Sha'ban 1444H
(28 February 2023)

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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 2022

	Note	*31 December 2022 SR*	*31 December 2021 SR (Restated Note 35)*	*1 January 2021 SR (Restated Note 35)*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	**79,705,336**	91,647,932	102,476,383
Trade receivables	6	**140,709,183**	145,241,390	116,940,868
Prepayments and other current assets	7	**89,176,047**	90,835,419	127,373,729
Inventories	9	**21,774,628**	17,105,511	18,820,195
Derivative financial instrument	24	**109,916**	10,730,318	16,028,550
TOTAL CURRENT ASSETS		**331,475,110**	355,560,570	381,639,725
NON-CURRENT ASSETS				
Investment at fair value through other comprehensive income (FVOCI)	10	**2,520,084**	2,101,657	1,942,322
Investments in equity accounted investees	11	**33,066,318**	17,422,653	12,570,128
Right of use assets	12	**201,999,960**	229,561,108	279,408,479
Property and equipment	13	**2,673,840,935**	2,711,490,174	2,698,425,010
Projects under construction	14	**175,213,850**	95,507,055	124,946,460
TOTAL NON-CURRENT ASSETS		**3,086,641,147**	3,056,082,647	3,117,292,399
TOTAL ASSETS		**3,418,116,257**	3,411,643,217	3,498,932,124
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Term loans - current portion	16	**171,007,341**	292,592,272	209,537,984
Lease liabilities - current portion	17	**34,472,722**	43,343,159	29,433,114
Derivative financial instrument	24	**-**	56,542,575	106,697,719
Trade payables		**19,156,286**	41,327,895	36,368,079
Accrued expenses and other current liabilities	15	**159,110,580**	157,321,540	165,899,185
Due to related parties	8	**35,522,175**	37,158,747	37,974,216
Dividend payable	23	**43,659,810**	43,939,294	44,259,209
Provision for zakat	18	**11,205,828**	13,662,198	13,323,298
TOTAL CURRENT LIABILITIES		**474,134,742**	685,887,680	643,492,804
NON-CURRENT LIABILITIES				
Term loans – non-current portion	16	**928,786,254**	745,510,575	824,367,448
Lease liabilities – non-current portion	17	**296,207,390**	302,309,776	356,447,344
Employees' terminal benefits liabilities	19	**60,679,823**	61,597,789	59,915,810
TOTAL NON-CURRENT LIABILITIES		**1,285,673,467**	1,109,418,140	1,240,730,602
TOTAL LIABILITIES		**1,759,808,209**	1,795,305,820	1,884,223,406
EQUITY				
Share capital	20	**1,000,000,000**	1,000,000,000	1,000,000,000
Statutory reserve	21	**500,000,000**	500,000,000	500,000,000
Consensual reserve	22	**-**	-	143,002,490
Retained earnings / (accumulated losses)		**103,460,229**	61,847,817	(81,636,325)
Revaluation reserve of investment at fair value through OCI	10	**(4,479,916)**	(4,898,343)	(5,057,678)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**1,598,980,313**	1,556,949,474	1,556,308,487
Non-controlling interests		**59,327,735**	59,387,923	58,400,231
TOTAL EQUITY		**1,658,308,048**	1,616,337,397	1,614,708,718
TOTAL LIABILITIES AND EQUITY		**3,418,116,257**	3,411,643,217	3,498,932,124

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

	Note	*31 December 2022 SR*	*31 December 2021 SR (Restated Note 35)*
REVENUE			
Hospitality income	25	**436,539,383**	348,382,921
Rental income	25	**128,829,786**	123,246,132
Management fees income	25	**3,025,917**	1,520,903
TOTAL REVENUE		**568,395,086**	473,149,956
Cost of revenue	26	**(433,448,952)**	(413,651,984)
GROSS PROFIT		**134,946,134**	59,497,972
EXPENSES			
Selling and marketing expenses		**(3,096,931)**	(1,980,451)
General and administrative expenses	27	**(42,465,431)**	(31,291,713)
Impairment of projects under construction	14	**(27,432,684)**	-
TOTAL EXPENSES		**(72,995,046)**	(33,272,164)
OPERATING INCOME		**61,951,088**	26,225,808
Financial charges		**(41,297,157)**	(23,144,856)
Financial charges on lease liabilities	17	**(14,165,906)**	(13,741,547)
Finance income	5	**146,760**	38,205
Other income, net	28	**3,074,229**	10,053,119
Net gain on derivative instruments at fair value through profit or loss	24	**32,642,864**	16,377,812
Share in results of equity accounted investees	11	**2,374,225**	(4,289,852)
INCOME BEFORE ZAKAT		**44,726,103**	11,518,689
Zakat	18	**(4,575,343)**	(9,312,287)
NET INCOME FOR THE YEAR		**40,150,760**	2,206,402
Attributable to:			
Equity holders of the parent		**40,165,884**	1,193,805
Non-controlling interests		**(15,124)**	1,012,597
		40,150,760	2,206,402
Earnings per share			
Basic and diluted earnings per share for the attributable to equity holders of the parent	30	**0.40**	0.01

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	31 December 2022 SR	31 December 2021 SR (Restated Note 35)
NET INCOME FOR THE YEAR		**40,150,760**	2,206,402
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to consolidated statement of income:			
Equity investment at FVOCI – net change in fair value	10	**418,427**	159,335
Actuarial gain / (loss) on re-measurement of employees' terminal benefits liabilities	19	**1,401,464**	(737,058)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**41,970,651**	1,628,679
Attributable to:			
Equity holders of the parent		**42,030,839**	640,987
Non-controlling interests		**(60,188)**	987,692
		41,970,651	1,628,679

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to the equity holders of the parent							
	Note	*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 2022									
At 1 January 2022		**1,000,000,000**	**500,000,000**	**-**	**61,847,817**	**(4,898,343)**	**1,556,949,474**	**59,387,923**	**1,616,337,397**
Net income for the year		**-**	**-**	**-**	**40,165,884**	**-**	**40,165,884**	**(15,124)**	**40,150,760**
Other comprehensive income for the year		**-**	**-**	**-**	**1,446,528**	**418,427**	**1,864,955**	**(45,064)**	**1,819,891**
Total comprehensive income for the year		**-**	**-**	**-**	**41,612,412**	**418,427**	**42,030,839**	**(60,188)**	**41,970,651**
At 31 December 2022		**1,000,000,000**	**500,000,000**	**-**	**103,460,229**	**(4,479,916)**	**1,598,980,313**	**59,327,735**	**1,658,308,048**
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
Effect of restatements	35	-	-	-	(83,021,253)	-	(83,021,253)	-	(83,021,253)
At 1 January 2021 – as restated		1,000,000,000	500,000,000	143,002,490	(81,636,325)	(5,057,678)	1,556,308,487	58,400,231	1,614,708,718
Net income for the year – as restated		-	-	-	1,193,805	-	1,193,805	1,012,597	2,206,402
Other comprehensive income for the year		-	-	-	(712,153)	159,335	(552,818)	(24,905)	(577,723)
Total comprehensive income for the year– as restated		-	-	-	481,652	159,335	640,987	987,692	1,628,679
Transfer of consensual reserve	22	-	-	(143,002,490)	143,002,490	-	-	-	-
At 31 December 2021		1,000,000,000	500,000,000	-	61,847,817	(4,898,343)	1,556,949,474	59,387,923	1,616,337,397

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	*31 December 2022 SR*	*31 December 2021 SR (Restated Note 35)*
OPERATING ACTIVITIES			
Income before zakat		**44,726,103**	11,518,689
Adjustments for:			
Depreciation of property and equipment	13	**100,692,976**	100,179,813
Depreciation of right of use assets	12	**13,524,044**	14,367,421
Impairment of projects under construction	14	**27,432,684**	-
Provision / (reversal) of expected credit losses on trade receivables, net	6	**4,817,360**	(734,182)
Share in results of equity accounted investees	11	**(2,374,225)**	4,289,852
Loss / (gain) on sale of property and equipment		**95,858**	(236,929)
Gain form COVID-19 related rent concession		**(251,035)**	-
Gain on lease liability extinguishment		**-**	(1,058,171)
Provision for employees' terminal benefits	19	**8,432,343**	8,497,676
Financial charges on lease liabilities	17	**14,165,906**	13,741,547
Financial charges on term loans		**38,481,186**	22,418,805
Gain on change in fair value of derivatives at FVTPL, net		**(45,922,173)**	(44,856,912)
		203,821,027	128,127,609
Working capital changes:			
Trade receivables		**(285,153)**	(27,566,340)
Prepayments and other current assets		**1,659,372**	36,538,310
Inventories		**(3,190,507)**	1,714,684
Trade payables		**(22,171,609)**	4,959,816
Accrued expenses and other current liabilities		**(7,899,414)**	754,157
Due to related parties		**(1,636,572)**	(815,469)
Cash from operations		**170,297,144**	143,712,767
Zakat paid	18	**(7,031,713)**	(8,973,387)
Employees' terminal benefits paid	19	**(7,948,845)**	(7,552,755)
Net cash from operating activities		**155,316,586**	127,186,625
INVESTING ACTIVITIES			
Additions to property and equipment	13	**(22,474,292)**	(64,643,265)
Additions to projects under construction		**(146,510,981)**	(25,219,566)
Proceeds from sale of property and equipment		**488,393**	509,058
Additional investment in equity accounted investees	11	**(17,019,440)**	(9,142,377)
Proceeds from investment in equity accounted investees		**3,750,000**	-
Net cash used in investing activities		**(181,766,320)**	(98,496,150)
FINANCING ACTIVITIES			
Proceeds from term loans		**340,457,382**	158,070,470
Repayment of term loans		**(295,060,470)**	(174,704,239)
Dividends paid		**(279,484)**	(319,915)
Payments of lease liabilities		**(16,009,379)**	(18,322,287)
Financial charges paid on term loans		**(30,894,747)**	(25,074,139)
Net cash used in financing activities		**(1,786,698)**	(60,350,110)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(28,236,432)**	(31,659,635)
Cash and cash equivalents at the beginning of the year		**70,816,748**	102,476,383
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**42,580,316**	70,816,748

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2022

NON-CASH TRANASCATIONS:

		31 December 2022 ***SR***	*31 December 2021* *SR*
Transfer of projects under construction	14	**42,632,306**	55,550,309
Lease adjustments	12	**(13,718,830)**	(55,289,857)
Finance cost on lease capitalized in projects under construction		**840,515**	891,338
Finance cost on term loans capitalized in projects under construction		**2,102,015**	-
Depreciation of right of use assets capitalized in projects under construction		**318,274**	-
Transfer of consensual reserve	22	**-**	143,002,490

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

1 ACTIVITIES

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

The Company's principal activities comprise of the construction, acquisition, operation, management, through partnership and rent of hotels, restaurants, motels, rest stops, entertainment centers, travel agencies, private and public roads and tourism areas. In addition, the activities include the acquisition, development and sale of lands and construction of buildings thereon or rent of lands, providing services to pilgrims and visitors of the Prophet's (PBUH) Mosque. The Company carry out its activities by itself or through others jointly or separately.

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

Subsidiaries	*Share Capital SR*	*Direct and indirect Ownership %* *31 December 2022*	*31 December 2021*
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%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95%**	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	**100%**	100%
Dara Oasis Company Limited (One Person Company)	100,000	**100%**	100%
Dur Real Estate Communities Company (One Person Company) – formerly Almashrouat Almethaleyah Real Estate 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 ACTIVITIES (CONTINUED)

Tabuk Hotels Company Limited
Tabuk Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 3550006303 dated 5 Rabi Thani 1406H (corresponding to 17 December 1985). The company owns Holiday Inn Tabuk Hotel.

Jude Alia Company Limited
Jude Alia Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010428949 dated 25 Safar 1436H (corresponding to 17 December 2014). The principal activities of the company include building and construction.

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). During the year 2022, the company has closed.

Al Sawaed Al Kareemah Investment and Real Estate Development Company
Al Sawaed Al Kareemah Investment and Real Estate Development Company is a Saudi limited liability company and is registered under the commercial registration number 1010437489 dated 26 Dhul-Qadah 1436H (corresponding to 10 September 2015). The company is engaged in construction, transportation, storage, refrigeration, financial and business services, as well as tourist accommodation services pursuant to the license of the Saudi Commission for Tourism and National Heritage No. (37/0096/F) dated 6 Safar 1437H (corresponding to 18 November 2015).

Sofraa Al Ewaa Hospitality Company
Sofraa Al Ewaa Hospitality Company is Saudi One Person limited liability company and is registered under commercial registration number 1010901133 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing hospitality services, establishment of restaurants, hotels and exhibitions.

Dara Oasis Company Limited
Dara Oasis Company Limited is a Saudi One Person limited liability company and is registered under commercial registration number 1010901132 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing tourism activities.

Dur Real Estate Communities Company (One Person Company) – formerly Almashrouat Almethaleyah Real Estate Company
Dur Real Estate Communities Company (one person company) is a Saudi limited liability company registered under CR No. 1010596957 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is the management and leasing of owned or leased residential and non-residential properties.

Alsarh Alaniq Operation and Maintenance Company
Alsarh Alaniq operation and maintenance Company (one-person company) is a Saudi limited liability company registered under CR No. 1010596958 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is cleaning of new buildings after construction.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FUNTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional and presentation currency of the Group. These consolidated 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 2022. 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; and
- 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 Company 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 income. Any investment retained is recognised at fair value.

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, cash on hand and other short-term highly liquid investments, with original maturities of three months or less, which are subject to an insignificant risk of changes in value. Bank overdrafts are deducted from above balances to arrive at cash and cash equivalents for the purpose of consolidated statement of cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (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; or
- 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 Group classifies all other liabilities as non-current.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition, classification and subsequent measurement
Trade receivables are initially recognised when they are originated. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. All other financial assets are initially recognised when the Group becomes party to the contractual provisions of the instrument at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model. 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 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, contract assets and amounts due from related parties.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets 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.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income. This category includes derivative instruments.

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 Group has transferred substantially all the risks and rewards of the asset, or
  b) the Group 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 POLICIEIS (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 and are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Financial liability at amortized cost (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 Effective Interest Rate (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.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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.

Derivative financial instruments
The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Investment in associates and joint ventures
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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for 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 comprehensive income ("OCI") of those investees is presented as part of the consolidated statement of 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.

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.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as explained in accounting policy for property and equipment.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

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 Group 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	4 years
Building improvements	5 - 10 years	Machinery and equipment	5 years
Furniture	10 years	Elevators and central air conditioning	40 years

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 consolidated statement of income 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.

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, or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated.

The recoverable amount is the greater of the value in use and 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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.

For assets, excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Dividends

The Group recognises a liability to make cash or non-cash distributions to shareholders 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. 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.

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 Group 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 consolidated 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

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 immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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.

The lease payments are discounted using the incremental borrowing rate, being the rate that the Group 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenues

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Revenues (continued)

Revenues from sales of 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.

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 Group’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 consolidated statement of income, using the effective interest method. Dividend income is recognized in consolidated statement of income 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 income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of income using the effective interest method.

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

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Foreign currencies (continued)
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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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.

2.6 NEW STANDARD ISSUES, STANDARD ISSUED AND EFFECTIVE

Following are standards and amendments, which are effective for annual periods beginning on or before 1 January 2022 (unless otherwise stated):

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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

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

2.7 NEW STANDARD ISSUES, STANDARD ISSUED BUT NOT YET EFFECTIVE

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

Name of standard, amendment, or interpretation	Effective date
- IFRS 17 Insurance Contracts	1 January 2023
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
- Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Estimates and assumptions

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.

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 for groupings of various customer segments that have similar loss patterns, adjusted for forward-looking factors specific to the debtors and the economic environment. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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 consolidated financial statements have been prepared under the going concern basis. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Judgements

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Property lease classification – Group as lessor
The Group has entered into leases on its properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

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.

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

2022 *SR*	*Hospitality*	*Property management*	*Property rental*	*Others*	*Eliminations*	*Total*
Revenue from external customer	**436,539,383**	**3,025,917**	**128,829,786**	**-**	**-**	**568,395,086**
Inter-segment revenue	**2,020,000**	**19,818,386**	**6,945,050**	**-**	**(28,783,436)**	**-**
Cost of revenue	**407,272,987**	**3,941,389**	**50,613,012**	**-**	**(28,378,436)**	**433,448,952**
Gross profit	**31,286,396**	**18,902,914**	**85,161,824**	**-**	**(405,000)**	**134,946,134**
Depreciation of property and equipment and right of use assets	**89,942,263**	**-**	**24,274,757**	**-**	**-**	**114,217,020**
Property and equipment	**1,798,007,890**	**-**	**875,833,045**	**-**	**-**	**2,673,840,935**
Right of use assets	**183,237,994**	**-**	**18,761,966**	**-**	**-**	**201,999,960**
Projects under construction	**107,930,528**	**-**	**67,283,322**	**-**	**-**	**175,213,850**
Total assets	**1,428,516,112**	**7,430,804**	**1,779,042,826**	**660,497,974**	**(457,371,459)**	**3,418,116,257**
Total liabilities	**1,567,933,571**	**14,556,903**	**151,267,076**	**36,743,005**	**(10,692,346)**	**1,759,808,209**

2021 *SR (Restated – Note 35)*	*Hospitality*	*Property management*	*Property rental*	*Others*	*Eliminations*	*Total*
Revenue from external customer	348,382,921	1,520,903	123,246,132	-	-	473,149,956
Inter-segment revenue	3,023,961	16,578,419	7,174,605	-	(26,776,985)	-
Cost of revenue	391,608,220	3,219,740	45,204,609	-	(26,380,585)	413,651,984
Gross profit	(40,201,338)	14,879,582	85,216,128	-	(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	1,661,421,552	5,243,101	1,617,977,800	665,967,283	(538,966,519)	3,411,643,217
Total liabilities	1,601,897,574	12,365,194	142,239,452	77,968,520	(39,164,920)	1,795,305,820

4 OPERATING SEGMENTS (CONTINUED)

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

	2022 SR	2021 SR (Restated Note 35)
Gross profit of operating segments	**134,946,134**	59,497,972
Un-allocated amount:		
Selling and marketing expenses	**(3,096,931)**	(1,980,451)
General and administration expenses	**(42,465,431)**	(31,291,713)
Impairment of projects under progress	**(27,432,684)**	-
Financial charges on term loans	**(41,297,157)**	(23,144,856)
Financial charges on lease liabilities	**(14,165,906)**	(13,741,547)
Finance income	**146,760**	38,205
Other income, net	**3,074,229**	10,053,119
Net gain on derivative financial instruments at FVTPL	**32,642,864**	16,377,812
Share in results of equity accounted investees	**2,374,225**	(4,289,852)
Total un-allocated amounts	**(90,220,031)**	(47,979,283)
Income before zakat	**44,726,103**	11,518,689

5 CASH AND CASH EQUIVALENTS

	31 December 2022 SR	31 December 2021 SR (Restated Note 35)	1 January 2021 SR (Restated Note 35)
Bank balances	**68,056,286**	73,860,474	85,564,893
Short term deposits	**11,000,000**	17,000,000	16,000,000
Cash on hand	**649,050**	787,458	911,490
Cash and cash equivalents	**79,705,336**	91,647,932	102,476,383
Bank overdraft (note 16)	**(37,125,020)**	(20,831,184)	**-**
Cash and cash equivalents (for consolidated statement of cash flows)	**42,580,316**	70,816,748	102,476,383

(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 196 basis points. Finance income amounted to SR 146,760 for the year ended 31 December 2022 (2021: SR 38,205).

(b) As at 31 December 2022, the Group has available cash facilities amounting SR 438.7 million (31 December 2021: SR 171.3 million and 1 January 2021: SR 307.5 million) representing unwithdrawn cash from the cash facility granted.

6 TRADE RECEIVABLES

	31 December 2022 SR	*31 December 2021 SR*
Trade receivables	**170,428,252**	170,475,362
Expected Credit Loss (ECL)	**(29,719,069)**	(25,233,972)
	140,709,183	145,241,390

(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 2022, trade receivables include balances amounting to SR 80.9 million (2021: SR 82.6 million) due from government and government related customers. These parties have an extended credit period compared to the other regular customers.

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

	31 December 2022 SR	*31 December 2021 SR*
At 1 January	**25,233,972**	26,445,793
Charge for the year (note 27)	**4,927,895**	738,991
Recovered during the year (note 27)	**(110,535)**	(1,473,173)
Bad debts written off during the year	**(332,263)**	(477,639)
At 31 December	**29,719,069**	25,233,972

Aging analysis of trade receivables

Following is the provision details 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*
Expected Credit Loss								
31 December 2022	**29,719,069**	**-**	**181,090**	**1,163,726**	**1,929,205**	**1,205,755**	**3,584,648**	**21,654,645**
31 December 2021	25,233,972	-	107,462	1,199,893	1,457,374	4,641,444	3,926,148	13,901,651
Trade receivables								
31 December 2022	**170,428,252**	**61,615,177**	**6,350,025**	**50,832,186**	**11,950,517**	**5,221,152**	**6,333,297**	**28,125,898**
31 December 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
Expected loss rate								
31 December 2022	**17.44%**	**-**	**2.85%**	**2.29%**	**16.14%**	**23.09%**	**56.60%**	**76.99%**
31 December 2021	14.80%	-	1.64%	2.65%	13.38%	40.44%	26.73%	97.67%

Refer to note 32 for information about the credit risk exposure on the Group's trade receivables.

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2022 SR	*31 December 2021 SR*
Advance for rent (*)	**58,818,607**	58,818,607
Prepayments	**6,359,973**	9,053,892
Contract assets	**6,192,289**	5,769,217
Advances to employees	**3,270,738**	3,310,210
Amounts due from related parties (note 8)	**4,442,099**	2,638,431
Advances to suppliers	**3,758,955**	2,034,216
Advances for real estate projects	**1,796,104**	1,796,104
Others	**4,537,282**	7,414,742
	89,176,047	90,835,419

(*) 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 Group terminated the lease contract during 2020 and the amount will be recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. 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 2022. During 2021, the Group filed a lawsuit against the lessor in order to enforce the collateral on the hotel land and recover the advance for rental. Management expects the amount to be collected within a period of twelve months.

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 significant transactions and resulted balances are as follows:

a) Due from related parties

			Amount of transactions		*Balance*	
Related Party	*Relation*	*Nature of transaction*	*31 December 2022 SR*	*31 December 2021 SR*	*31 December 2022 SR*	*31 December 2021 SR*
Al Yasmin Compound owned by Assila Investment Company	A company owned by shareholders	Management fees income	**568,515**	403,593	**2,564,592**	1,814,605
Jazira Bader Compound owned by Assila Investment	A company owned by shareholders	Management fees income	**147,829**	168,576	**812,300**	110,668
Um Al qura Hotel owned by Assila Investment Company	A company owned by shareholders	Management fees income	**1,072,789**	94,721	**621,910**	555,508
Makarim Al Bait Hotel owned by Assila Investment Company	A company owned by shareholders	Management fees income	**74,495**	1,432	**209,577**	133,937
Others	Companies owned by shareholders	Technical fees income	**621,066**	167,849	**233,720**	23,713
					4,442,099	2,638,431

8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Due to related parties

			Amount of transactions		*Balance*	
Related Party	*Relation*	*Nature of transaction*	*31 December 2022 SR*	*31 December 2021 SR*	*31 December 2022 SR*	*31 December 2021 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	**207,137**	172,143	**1,776,140**	2,085,678
Al Andalus Residence Compound owned by Assila Investment Company	A company owned by shareholders	Management fees income	**178,475**	161,654	**298,627**	434,024
Others	Companies owned by shareholders	Expenses paid on behalf	**178,337**	124,907	**335,543**	1,527,180
					35,522,175	37,158,747

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 752 million as at 31 December 2022 (2021:SR 675.2 million).

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	
	31 December 2022 SR	*31 December 2021 SR*
Salaries and benefits - key management personnel	**5,718,504**	3,938,550
Employees' terminal benefits - key management personnel	**281,009**	238,606
BOD remuneration, attendance allowance and committee's remuneration	**3,896,370**	3,774,000

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 2022 and 2021, 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

	31 December 2022 SR	*31 December 2021 SR*
Linens	**5,618,735**	4,262,750
Accessories and silverware	**5,525,330**	3,355,383
Spares	**3,050,073**	2,703,609
Food and beverages	**2,898,620**	2,435,388
Operation supplies	**1,900,477**	2,064,747
Kitchen tools and equipment	**2,588,219**	1,933,870
Stationery and printing	**834,156**	990,746
(Less) Inventory provision	**(640,982)**	(640,982)
	21,774,628	17,105,511

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. This investment was irrevocably designated at fair value through OCI as the Group considers this investment to be strategic in nature. The movement in the fair value of the investment is as follows:

	31 December 2022 SR	*31 December 2021 SR*
Cost		
As at 1 January and 31 December	**7,000,000**	7,000,000
Fair value reserve		
At 1 January	**(4,898,343)**	(5,057,678)
Change in fair value during the year	**418,427**	159,335
Fair value reserve at 31 December	**(4,479,916)**	(4,898,343)
Fair value at 31 December	**2,520,084**	2,101,657

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			
	31 December 2022 %	*31 December 2021 %*	*31 December 2022 SR*	*31 December 2021 SR*
Name of the equity accounted investees				
Al-Madina Tower Real Estate Company (*)	**49**	49	**26,031,351**	6,637,686
Al Madinah Hotels Company Limited	**50**	50	**4,142,289**	4,142,289
Saudi Company for Heritage Hospitality (**)	**25**	25	**2,892,678**	6,642,678
			33,066,318	17,422,653

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

	31 December 2022 SR	*31 December 2021 SR*
At the beginning of the year	**17,422,653**	12,570,128
Additions	**17,019,440**	9,142,377
Proceeds from an associate	**(3,750,000)**	-
Share in net results	**2,374,225**	(2,504,691)
Impairment of an equity accounted investee	**-**	(1,785,161)
At the end of the year	**33,066,318**	17,422,653

(*) 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 the Group 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)

(**) Saudi Company for Heritage Hospitality is going through a liquidation formality.

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 2022	**54,973,553**	**221,127,829**	**276,101,382**
Lease adjustments (a)	**-**	**(13,718,830)**	**(13,718,830)**
As at 31 December 2022	**54,973,553**	**207,408,999**	**262,382,552**
Depreciation:			
As at 1 January 2022	**5,710,560**	**40,829,714**	**46,540,274**
Charge for the year (note 26)	**2,384,368**	**11,457,950**	**13,842,318**
As at 31 December 2022	**8,094,928**	**52,287,664**	**60,382,592**
Net book values:			
As at 31 December 2022	**46,878,625**	**155,121,335**	**201,999,960**
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 (note 26)	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

(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 to cost of revenue.

13 PROPERTY AND EQUIPMENT

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

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

13 PROPERTY AND EQUIPMENT (CONTINUED)

	Lands *SR*	*Buildings* *SR*	*Building's 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	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 Group re-estimated cost of certain items of the projects by SR 6.7 million.

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

	2022 **SR**	*2021* SR
Cost of revenue (note 26)	**99,370,744**	98,069,697
General and administrative expenses (note 27)	**1,322,232**	2,110,116
	100,692,976	100,179,813

14 PROJECTS UNDER CONSTRUCTION

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

	31 December 2022 SR	*31 December 2021 SR*
At 1 January	**95,507,055**	124,946,460
Additions during the year	**149,771,785**	26,110,904
Transfers to property and equipment (note 13) (“c”)	**(42,632,306)**	(55,550,309)
Impairment of projects under construction (“b”)	**(27,432,684)**	-
At 31 December	**175,213,850**	95,507,055

(a) The projects under construction mainly represent the cost of constructing new hotels and renovating existing hotels in addition to other projects. This item includes contractors' cost, project management expenses, design expenses, and advances to contractors, borrowing cost and other miscellaneous expenses.

(b) The Group reviews the progress of these projects periodically. During their latest review of these projects and based on recent economic outlook for different regions in the Kingdom of Saudi Arabia, and taking into consideration the other projects, all while aligning the Group's strategy with that of the Kingdom's vision, the Group decided to cancel certain projects. The Group has therefore impaired the entire capitalized costs of these projects aggregating SR 27.4 million.

The Group did not notice any indicators of impairment for other projects.

(c) Transfers into property and equipment during 2022 amounting SR 42.6 million mainly represent the cost of construction of new apartments in Tabuk Region and cost of renovation of properties in Hospitality and Property Rental segments in Riyadh City (2021: SR 55.6 million mainly represent the cost of construction of renovation of Makkah Hotel).

(d) The amount of borrowing costs capitalised for the year ended 31 December 2022 was SR 2.1 million (31 December 2021: nil). The rate used to determine the amount of borrowing costs eligible for capitalization is the effective interest rate for the borrowings specific to those qualifying assets.

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2022 SR	*31 December 2021 SR*
Contract liabilities	**69,322,026**	67,504,337
Accrued staff benefits	**23,878,761**	18,488,027
Payable to contractors	**16,328,089**	19,253,629
Retentions payable	**15,719,558**	14,453,636
Accrued financial charges	**11,093,725**	1,405,271
Accrued management and franchising fee	**4,791,691**	1,632,355
Accrued utilities and other services	**3,600,233**	14,913,370
Accrued professional fees and other services	**2,530,180**	7,758,177
Others (*)	**11,846,317**	11,912,738
	159,110,580	157,321,540

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

16 TERM LOANS

The Group has secured term loans from number of local banks in the form of Murabaha financing with a total carrying value of SR 1,062 million as at 31 December 2022 (31 December 2021: SR 1,017 million and 1 January 2021: SR 1,033 million) which accrue Murabaha commission at SIBOR plus agreed margin, which are equivalent to the market interest rates. These financing are secured by promissory notes and assignment of proceeds from certain projects' rentals.

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 2022 and 2021 and 1 January 2021.

	31 December 2022 SR	*31 December 2021 SR*	*1 January 2021 SR*
Term loans	**1,062,668,575**	1,017,271,663	1,033,905,432
Bank overdraft	**37,125,020**	20,831,184	-
	1,099,793,595	1,038,102,847	1,033,905,432

Bank overdraft represents balance in a US dollar bank account resulting from the settlement of the derivative financial instruments as mentioned in note 24.

Classification of the borrowings is as follows:

	31 December 2022 SR	*31 December 2021 SR*	*1 January 2021 SR*
Term loans - current portion	**133,882,321**	271,761,088	209,537,984
Bank overdraft	**37,125,020**	20,831,184	-
Current borrowings	**171,007,341**	292,592,272	209,537,984
Term loans - non- current portion	**928,786,254**	745,510,575	824,367,448
Total borrowings	**1,099,793,595**	1,038,102,847	1,033,905,432

17 LEASE LIABILITIES

The Group's lease contracts include extension options. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group'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:

	31 December 2022 ***SR***	*31 December 2021 SR*
As at 1 January	**345,652,935**	385,880,458
Additions	**-**	19,809,907
Lease adjustment	**(13,718,830)**	(56,348,028)
Interest	**15,006,421**	14,632,885
Payments	**(16,009,379)**	(18,322,287)
COVID-19 related rent concession	**(251,035)**	-
As at 31 December	**330,680,112**	345,652,935
The present value of the net lease payments is as follows:		
Current	**34,472,722**	43,343,159
Non-Current	**296,207,390**	302,309,776

17 LEASE LIABILITIES (CONTINUED)

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

	31 December 2022 ***SR***	*31 December 2021* *SR*
Depreciation expense of right-of-use assets	**13,524,044**	14,367,421
Financial charges on lease liabilities	**14,165,906**	13,741,547
Total amount recognised in consolidated statement of income	**27,689,950**	28,108,968

Group as a lessor

The Group has entered into operating leases on its properties. These leases are short term leases, except for one that has been presented in contract assets. Rental income recognised by the Group during the year is SR128.8 million (2020: SR 123.2 million).

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:

	31 December 2022 SR	*31 December 2021 SR*
At the beginning of the year	**13,662,198**	13,323,298
Provided during the year	**4,575,343**	9,312,287
Payments made during the year	**(7,031,713)**	(8,973,387)
At the end of the year	**11,205,828**	13,662,198

Zakat status

The Company and its subsidiaries have filed their Zakat returns with Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2021.

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

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

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

ZATCA also issued zakat assessment for the year 2020, which resulted in zakat differences of SR 2.11 million. The Company paid all the unobjectionable amounts amounting to SR 1.76 million and objected to the rest of the items in dispute. ZATCA has 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.

18 ZAKAT (CONTINUED)

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

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

	31 December 2022	*31 December 2021*
Salary increase rate	**4.60%**	2.40%
Discount rate	**4.60%**	2.40%
Number of employees covered under terminal benefits plan	**1,202**	1,280

Employees' end of service benefit expense:

	31 December 2022 SR	*31 December 2021 SR*
Current service cost	**6,952,992**	7,341,668
Interest cost on employees' terminal benefit liabilities	**1,479,351**	1,156,008
Total benefit expense	**8,432,343**	8,497,676

Actuarial gains / (losses)

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

	31 December 2022 SR	*31 December 2021 SR*
Actuarial gains / (losses) on employees' terminal benefits liabilities	**1,401,464**	(737,058)

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

	31 December 2022 SR	*31 December 2021 SR*
Opening present value of employees' terminal benefits liabilities	**61,597,789**	59,915,810
Employees' terminal benefit expense	**8,432,343**	8,497,676
Employees' terminal benefits paid	**(7,948,845)**	(7,552,755)
Actuarial (gains) / losses on employees' terminal benefit liabilities	**(1,401,464)**	737,058
Closing present value of employees' terminal benefits liabilities	**60,679,823**	61,597,789

19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

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 SR*	*50 bps decrease SR*	*50 bps increase SR*	*50 bps decrease SR*
31 December 2022	**61,224,380**	**58,258,753**	**58,358,221**	**61,134,073**
31 December 2021	63,156,774	58,308,774	58,414,598	63,066,458

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.

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

	31 December 2022 SR	*31 December 2021 SR*
Within 12 months	**11,426,265**	7,992,876
From two years to five years	**38,929,243**	29,795,183
More than five years	**34,739,627**	31,454,986
	85,095,135	69,243,045

20 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2022: 100 million shares of SR 10 each).

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 had allocated 5% of its annual net income to a consensual reserve. Due to transfers in prior years, the Company 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

As at 31 December 2022, current liabilities include the balance of dividends payable amounting to SR 43.7 million (2021: SR 43.9 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the consolidated statement of financial position.

24 DERIVATIVE FINANCIAL INSTRUMENTS

During 2018 the Group entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Group disputed the validity of these agreements and filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for Resolution of Securities Disputes ("the CRSD"). During 2021, the CRSD has issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations. On 10 March 2022, The Group filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. The Group is pursuing the legal case, regardless of recognizing the derivatives as per the requirements of IFRS, and the potential outcome of the new claim cannot be reasonably estimated as this stage.

The derivatives did not qualify for hedge accounting. The derivatives carried an original maturity of 10 December 2024. One of these derivatives was called back by the financial institution on 10 December 2022.

The table below summarises the fair values of the derivatives, together with the notional amounts:

Derivative financial instruments	***Positive fair value SR***	***Negative fair value SR***
31 December 2022		
Interest rate swaps	**109,916**	**-**
31 December 2021		
Interest rate swaps	10,730,318	(56,542,575)
1 January 2021		
Interest rate swaps	16,028,550	(106,697,719)

The table below summarises the amounts recognized in the consolidated statement of income:

	31 December 2022 ***SR***	*31 December 2021 SR*
Changes in fair value, net	**45,922,173**	44,856,912
Amounts realized during the year, net	**(13,279,309)**	(28,479,100)
Net gain on derivative instruments at FVTPL	**32,642,864**	16,377,812

25 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:

31 December 2022	*Hospitality*	*Rental*	*Property Management*	*Total*
	SR	*SR*	*SR*	*SR*
Type of goods or service				
Hospitality services - rooms	**315,598,745**	**-**	**-**	**315,598,745**
Sales of goods - food and beverage	**110,542,855**	**-**	**-**	**110,542,855**
Other hospitality revenues	**10,397,783**	**-**	**-**	**10,397,783**
Rental income	**-**	**128,829,786**	**-**	**128,829,786**
Management fee	**-**	**-**	**3,025,917**	**3,025,917**
Total revenue from contracts with customers	**436,539,383**	**128,829,786**	**3,025,917**	**568,395,086**
Timing of revenue recognition				
Over time	**325,996,528**	**128,829,786**	**3,025,917**	**457,852,231**
At a point in time	**110,542,855**	**-**	**-**	**110,542,855**
Total revenue from contracts with customers	**436,539,383**	**128,829,786**	**3,025,917**	**568,395,086**

31 December 2021	*Hospitality*	*Rental*	*Property Management*	*Total*
	SR	*SR*	*SR*	*SR*
Type of goods or service				
Hospitality services - rooms	253,303,875	-	-	253,303,875
Sales of goods - food and beverage	82,259,105	-	-	82,259,105
Other hospitality revenues	12,819,941	-	-	12,819,941
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	266,123,816	123,246,132	1,520,903	390,890,851
At a point in time	82,259,105	-	-	82,259,105
Total revenue from contracts with customers	348,382,921	123,246,132	1,520,903	473,149,956

26 COST OF REVENUE

	31 December 2022 ***SR***	*31 December 2021* *SR*
Salaries and benefits	**174,518,159**	159,567,282
Depreciation of property and equipment and right of use assets (notes 12 and 13)	**112,894,788**	112,437,118
Operating supplies	**37,541,980**	43,433,351
Food and beverage	**33,699,767**	30,119,711
Utilities	**26,373,498**	26,848,137
Repair and maintenance	**11,707,280**	12,249,130
Service and operation fees	**12,968,283**	8,758,262
Advertising and promotion activities	**14,367,445**	12,393,257
Commission for travelling agency and credit cards	**6,111,755**	5,647,094
Security and guarding	**271,528**	713,822
Others	**2,994,469**	1,484,820
	433,448,952	413,651,984

27 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2022 *SR*	*31 December 2021* *SR*
Salaries and other employee benefits	**23,949,764**	19,088,209
Professional fee	**2,791,788**	2,060,472
Board of Director remuneration	**3,896,370**	3,774,000
Subscription	**2,760,427**	2,788,284
Depreciation of property and equipment (note 13)	**1,322,232**	2,110,116
Hospitalities	**1,031,738**	467,657
Expected credit loss (reversals), net (note 6)	**4,817,360**	(734,182)
Others	**1,895,752**	1,737,157
	42,465,431	31,291,713

28 OTHER INCOME, NET

	31 December 2022 *SR*	*31 December 2021* *SR*
Accruals no longer required (“a”)	**2,220,155**	5,000,000
Consultancy expense (“b”)	**-**	(6,975,278)
Income from a contractor's settlement (“c”)	**-**	9,120,000
Reimbursement from ZATCA	**-**	1,799,088
Others, net	**854,074**	1,109,309
	3,074,229	10,053,119

(a) During 2019, the Group has made a provision for contingent maintenance and other pre-opening expenses of newly constructed hotel. Based on the current year assessment the Group decided that such provision is not required and accordingly has reversed the provision.

28 OTHER INCOME, NET (CONTINUED)

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

(c) During 2021, the Group has signed a final settlement agreement with a contractor who agreed to settle portion of the Group’s claim in relation to one of the real estate projects, which was written off in previous years.

29 COMMITMENTS AND CONTINGENCIES

Capital commitments

a) The Group has entered into capital commitments of SR 286.9 million (2021: SR 117.8 million) related to its capital work in progress.

b) The Group has capital commitment in relation to equity accounted investees’ projects under construction of SR 49 million.

Contingencies

a) As at 31 December 2022, the Group had issued letters of guarantee amounting to SR 29.03 million (2021: SR 30.2 million). These guarantees are without cash margin.

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

c) For contingency relating to a legal case, in respect of derivatives, refer to note 24.

30 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.

	31 December 2022 SR	*31 December 2021 SR*
Income for the year attributable to the equity holders of the Parent	**40,165,884**	1,193,805
Weighted average number of outstanding shares	**100,000,000**	100,000,000
Basic and diluted earnings per share	**0.40**	0.01

31 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.

31 CAPITAL MANAGEMENT (CONTINUED)

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

	31 December 2022 SR	*31 December 2021 SR*
Term loans	**1,099,793,595**	1,038,102,847
Lease liabilities	**330,680,112**	345,652,935
Due to related parties	**35,522,175**	37,158,747
Accrued expenses and other current liabilities	**159,110,580**	157,321,540
	1,625,106,462	1,578,236,069
Less: cash and cash equivalents	**(79,705,336)**	(91,647,932)
Net debt	**1,545,401,126**	1,486,588,137
Total equity	**1,658,308,048**	1,616,337,397
Gearing ratio	**93%**	92%

32 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 (comprising 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.

The Group's senior management oversees the management of these risks. 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, trade payables and derivatives. 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.

Equity price risk

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

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.

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	100 basis points increase SR	*100 basis points decrease SR*
2022	**(10,622,686)**	**10,622,686**
2021	(10,172,717)	10,172,717

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:

	31 December 2022 SR	*31 December 2021 SR*
Bank balances and short-term deposits	**79,056,286**	90,860,474
Trade receivables	**140,709,183**	145,241,390
Due from related parties	**4,442,099**	2,638,431
	224,207,568	238,740,295

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 to be insignificant.

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 2022, around 28% (2021: 22%) of the Group's customers are corporate, and an expected credit loss has been recognised against these customers amounting to SR 1.9 million has been recognised during the year ended 31 December 2022 (2021: SR 1.5 million).

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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 Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders (refer note 5).

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

31 December 2022	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	***Total SR***
Term loans	**171,007,341**	**843,518,976**	**85,267,278**	**1,099,793,595**
Trade payables	**19,156,286**	**-**	**-**	**19,156,286**
Due to related parties	**35,522,175**	**-**	**-**	**35,522,175**
Lease liabilities	**34,472,722**	**110,793,038**	**185,414,352**	**330,680,112**
	260,158,524	**954,312,014**	**270,681,630**	**1,485,152,168**

31 December 2021	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	***Total SR***
Term loans	292,592,272	745,510,575	-	1,038,102,847
Trade payables	41,327,895	-	-	41,327,895
Due to related parties	37,158,747	-	-	37,158,747
Lease liabilities	43,343,159	39,923,384	262,386,392	345,652,935
	414,422,073	785,433,959	262,386,392	1,462,242,424

33 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

33 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Financial Assets

	31 December 2022 SR	*31 December 2021 SR*
Financial assets at fair value		
Investment at FVOCI	**2,520,084**	2,101,657
Derivative financial instrument	**109,916**	10,730,318
Total financial assets carried at fair value	**2,630,000**	12,831,975
Financial assets at amortised cost		
Cash and cash equivalents	**79,705,336**	91,647,932
Trade receivables	**140,709,183**	145,241,390
Due from related parties	**4,442,099**	2,638,431
Total financial assets at amortised cost	**224,856,618**	239,527,753
Total financial assets	**227,486,618**	252,359,728
Total current financial assets	**224,856,618**	250,258,071
Total non-current financial assets	**2,630,000**	2,101,657
	227,486,618	252,359,728

Financial liabilities

	31 December 2022 SR	*31 December 2021 SR*
Financial liabilities at fair value		
Derivative financial instrument	**-**	56,542,575
Financial liabilities at amortised cost		
Trade payables	**19,156,286**	41,327,895
Term loans	**1,099,793,595**	1,038,102,847
Due to related parties	**35,522,175**	37,158,747
Total financial liabilities at amortised cost	**1,154,472,056**	1,173,132,064
Total current financial liabilities	**225,685,802**	427,621,489
Total non-current financial liabilities	**928,786,254**	745,510,575
	1,154,472,056	1,173,132,064

34 SIGNIFICANT EVENTS

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

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

The implementation of the Proposed Transaction is subject to the two companies agreeing a final binding agreement that determines the terms and conditions of the transaction, including obtaining all the required regulatory approvals and the approval of the extraordinary general assembly of each company on the transaction and its related matters.

35 PRIOR PERIODS ADUSTMENTS

During the year ended 31 December 2022, the Group has retrospectively processed the accounting of financial derivatives relating to the prior periods in the consolidated financial statements by restating opening balances of the prior period of the statements of shareholders equity and the comparative figures. These adjustments relate to the interest rate swaps, which were not previously recorded by the management.

The impact on the previously reported balances is summarized below:

(a) Impact on equity (increase/(decrease) in equity):

	31 December 2021	*1 January 2021*
	SR	SR
Cash and cash equivalents	**-**	7,647,916
Derivative financial instruments	**10,730,318**	16,028,550
Total assets	**10,730,318**	23,676,466
Term loans - current portion	**(20,831,184)**	-
Derivative financial instruments	**(56,542,575)**	(106,697,719)
Total liability	**(77,373,759)**	(106,697,719)
Net impact on equity	**(66,643,441)**	(83,021,253)

(b) Impact on consolidated statement of profit or loss (increase/(decrease) in profit)

	31 December 2021
	SR
Net gain on derivative instruments at fair value through profit or loss	16,377,812
Net impact on profit for the year	16,377,812
Attributable to:	
Equity holders of the parent	16,377,812
Non-controlling interests	-

(c) Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

Basic and diluted, loss for the year attributable to equity holders of the parent	0.16

The change did not have an impact on OCI for the year.

35 PRIOR PERIODS ADUSTMENTS (CONTINUED)

(d) Impact on the statement of cashflows:

	31 December 2021
Net cash from operating activities	(28,479,099)

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

36 SUBSEQUENT EVENTS

There are no matters that have occurred up to and including the date of the approval of the consolidated financial statements which could materially affect the consolidated financial statements and the related disclosures for the year ended 31 December 2022.

37 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 1 Sha'aban 1444H (corresponding to 21 February 2023).