Tourism Enterprise Company (Shams)
(A Saudi Joint Stock Company)

Financial Statements
For the year ended 31 December 2022
With Independent Auditor's Report

Tourism Enterprise Company (Shams)
(A Saudi Joint Stock Company)

Financial Statements
For the year ended 31 December 2022

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Al Kharashi & Co.
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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Tourism Enterprise Company (Shams)
(A Saudi Joint Stock Company)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tourism Enterprise Company (Shams) – Saudi Joint Stock Company – ("the Company") and the statement of financial position as of 31 December 2022, the statements of profit and loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by Saudi Organization for Auditors and Professional Accountants (SCOPA).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 financial statements section of our report. We are independent of the company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia together and are relevant to our audit of the financial statements. 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 financial statements of the year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matters, a description on how our audit addressed the matter is set out below:

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INDEPENDENT AUDITOR'S REPORT "CONTINUED"

To the shareholders of
Tourism Enterprise Company (Shams)
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Report on the audit of the financial statements "continued"

Key audit matters "continued"

The key audit matter	How the matter was addressed
Revenue recognition – Revenues	
As of 31 December 2022, the Company recognized total revenue of SR 10,000,914 (2021: SR 15,975,723). Revenue recognition has been identified as a key audit matter due to the following: • Significant volume of transactions; • The auditing professional standards presume that there is the significant risk related to revenue recognition. The accounting policy for revenue is outlined in note 2 and a breakdown of revenue is presented in note 15.	We performed the following procedure in relation to revenue recognition: • Evaluating the design and implementation, and testing the operating effectiveness of relevant controls over the revenue cycle; • Inspected sales transactions taking place at either side of year-end to assess whether revenue was recognized in the correct period; and • Performing substantive tests of details and analytical procedures.

Other Information included in the Company's 2022 annual report

Management is responsible for the other information. The other information comprises the information included in the Company`s annual report, other than the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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INDEPENDENT AUDITOR'S REPORT "CONTINUED"

To the shareholders of
Tourism Enterprise Company (Shams)
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Report on the audit of the financial statements "continued"

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, The Company's By-laws and the applicable requirements of Company's regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process

Auditor's responsibilities for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the 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 ISAs 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 financial statements. As part of an audit in accordance with ISAs as 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used, the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT "CONTINUED"

To the shareholders of
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Report on the audit of the financial statements "continued"

Auditor's responsibilities for the audit of the financial statements "continued"

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 disclosure in the 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the 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 company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company 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, related safeguards.

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

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INDEPENDENT AUDITOR'S REPORT "CONTINUED"

To the shareholders of
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Report on the audit of the financial statements "continued"

Report on other legal and regulatory requirements

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

For Al-Kharashi & Co.

Abdullah S. Al Msned
C.A. License No. 456

الخـــراشــي وشـركـاه
محاسبون و مراجعون قانونيون
س.ت: C.R.: 1010327044
Certified Accountants
& Auditors
AL-Kharashi Co.

April 3, 2023 G
Ramadan 12, 1444 H

Tourism Enterprise Company (Shams)
(A Saudi Joint Stock Company)

Statement of financial position
For the year ended 31 December 2022
(All amounts are in Saudi Riyals)

	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant, and equipment, net	6	**48,741,893**	47,309,764
Investments property, net	7	**6,314,924**	6,541,824
Total non-current assets		**55,056,817**	53,851,588
Current assets			
Trade receivables, net	8	**4,808,260**	2,511,590
Prepayments and other receivables, net	9	**1,155,008**	803,428
Cash and cash equivalents	10	**509,695,719**	13,317,303
Total current assets		**515,658,987**	16,632,321
Total assets		**570,715,804**	70,483,909
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	5	**578,236,230**	52,566,930
Statutory reserve		**2,913,121**	2,913,121
Accumulated losses		**(30,339,502)**	(40,567)
Total shareholders' equity		**550,809,849**	55,439,484
Liabilities			
Non-current liabilities			
End of service provision	11	**1,253,650**	1,342,866
Total non-current liabilities		**1,253,650**	1,342,866
Current liabilities			
Trade payables		**825,499**	783,227
Accrued expenses and other credit balances	12	**11,316,518**	4,392,820
Provision for claims	14	**5,792,707**	7,765,534
Accrued zakat	13	**717,581**	759,978
Total current liabilities		**18,652,305**	13,701,559
Total liabilities		**19,905,955**	15,044,425
Total shareholders' equity and liabilities		**570,715,804**	70,483,909

Chief Financial Officer
Ahmed Mohammed Suleiman

Deputy Chairman -Executive Managing Director
Abdullah Omar Al - Suwailem

The accompanying notes form part of these financial statements

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Tourism Enterprise Company (Shams)
(A Saudi Joint Stock Company)

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022
(All amounts are in Saudi Riyals)

	Note	31 December 2022	31 December 2021
Continuing operations			
Revenue	15	10,000,914	15,975,723
Cost of revenue	16	(8,893,182)	(10,829,139)
Gross profit		1,107,732	5,146,584
Selling and distribution expenses	17	(1,390,838)	(1,066,464)
Administrative expenses	18	(11,590,215)	(11,247,354)
Claims provision expense	14	-	(5,799,234)
Reverse of provision for doubtful debts	9	2,393,279	-
Reverse of claims provision	14	1,972,827	-
Other gains	19	789,307	84,460
Net (loss) before zakat		(6,717,908)	(12,882,008)
Zakat expense for the year	13	(515,000)	(1,154,419)
Net (loss) for the year		(7,232,908)	(14,036,427)
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement (loss) gain on employees' termination benefits	11	163,851	(166,840)
		163,851	(166,840)
Total comprehensive (loss) for the year		(7,069,057)	(14,203,267)
Loss per share			
(Loss) per share before zakat	22	(0.70)	(1.31)
(Loss) for the year	22	(0.75)	(1.42)

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Tourism Enterprise Company (Shams)
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Statement of changes in shareholders' equity
For the year ended 31 December 2022
(All amounts are in Saudi Riyals)

	Share capital	Statutory reserve	Accumulated losses	Total
Balance at 31 December 2020	101,500,000	2,913,121	(34,770,370)	69,642,751
Capital reduction	(48,933,070)	-	48,933,070	-
Net loss for the year	-	-	(14,036,427)	(14,036,427)
Other comprehensive loss	-	-	(166,840)	(166,840)
Total comprehensive loss	-	-	(14,203,267)	(14,203,267)
Balance at 31 December 2021	**52,566,930**	**2,913,121**	**(40,567)**	**55,439,484**
Balance at 1 January 2022	**52,566,930**	**2,913,121**	**(40,567)**	**55,439,484**
Increase in capital	**525,669,300**	-	-	**525,669,300**
Capital increase expenses	-	-	**(23,229,878)**	**(23,229,878)**
Loss for the year	-	-	**(7,232,908)**	**(7,232,908)**
Other comprehensive loss	-	-	**163,851**	**163,851**
Total comprehensive loss	-	-	**(7,069,057)**	**(7,069,057)**
Balance at 31 December 2022	**578,236,230**	**2,913,121**	**(30,339,502)**	**550,809,849**

Chief Financial Officer
Ahmed Mohammed Suleiman

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Tourism Enterprise Company (Shams)
(A Saudi Joint Stock Company)

Statement of cash flows
For the year ended 31 December 2022
(All amounts are in Saudi Riyals)

	31 December 2022	31 December 2021
Operating activities		
Net loss before zakat	**(6,717,908)**	(12,882,008)
Adjustments for		
Depreciation of property, plant and equipment	**6,157,841**	5,742,889
Depreciation of investment in property	**226,900**	233,302
(Reverse)/ expected credit losses	**(2,393,279)**	1,478,649
Doubtful debt	**557,623**	-
(Reverse)/ provision for claims	**(1,972,827)**	5,799,234
Provision for employees' end of service benefits	**220,707**	201,071
Gain on sale of property, plant and equipment	**(30,435)**	433,754
Operating cash flows before changes in working capital	**(3,951,378)**	1,006,891
Changes in working capital		
Trade receivables	**(461,014)**	(792,960)
Prepayments and other receivables, net	**(351,580)**	(136,307)
Trade payable	**42,272**	436,840
Accrued expenses and other credit balance	**6,923,698**	1,660,993
Operating cash flows after changes in working capital	**2,201,998**	2,175,457
Employees' end of service benefits paid	**(146,072)**	(229,917)
Zakat and taxes paid	**(557,397)**	(993,431)
Net cash generated from operating activities	**1,498,529**	952,109
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(7,589,970)**	(3,411,697)
Proceeds from sale of property, plant and equipment	**30,435**	-
Net cash generated from investing activities	**(7,559,535)**	(3,411,697)
CASH FLOWS FROM FUNDING ACTIVITIES:		
Issuance shares net of underwriting commission	**502,439,422**	-
Net cash (used) in financing activities	**502,439,422**	-
Net change in cash and cash equivalents	**496,378,416**	(2,459,588)
Cash and cash equivalents at the beginning of the year	**13,317,303**	15,776,891
Cash and cash equivalents at the end of the year	**509,695,719**	13,317,303

Chief Financial Officer
Ahmed Mohammed Suleiman

Deputy Chairman -Executive Managing Director
Abdullah Omar Al – Suwailem

The accompanying notes form part of these financial statements

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1- Organization and principle activities

Tourism Enterprise Company (Shams) ("the Company") is a Saudi Joint Stock Company that was established in the Kingdom of Saudi Arabia in accordance with the Ministry of Commerce under Commercial Registration No. 2050021572 from Dammam dated 20 Moharam 1412 H corresponding to 1 August 1991.

The company is engaged in managing business and tourism buildings including, chalets, motels, hotels, parks, restaurants, cities, playgrounds, swimming pools, rest houses, central service stations, and all services that lodges need.

The main activity head office is the only tourism project (Palm Beach Resort), which is located on land leased from the Municipality of Dammam for 40 years from the date of 1 Muharram 1410 H corresponding to 3 August 1989, ending on 30 Dhu al-Hijjah 1450 H corresponding to 14 May 2029. Without specifying the contract on the possibility of renewing the lease contract.

The company conducts its activities in the Kingdom of Saudi Arabia in the city of Dammam in the Half Moon Beach area, Dammam Postal code 31482 P.O. Box 8383.

The period terms of the company are 99 years from the date of issuance of the Minister of Commerce's decision to establish it and renewed by an extraordinary general assembly at least one year before the date of its expiry.

The financial statements included the Head office accounts and the accounts of the following branches: -

Tourism Enterprise Company (Shams) under the sub-commercial registry number 2052103400 Issued from the city of Dammam

Tourism Enterprise Company (Shams) under the sub-commercial registry number 2052103401 Issued from the city of Dammam

2- Basis of preparation

2/1 Statement of compliance

These financial statements have been prepared as of 31 December 2022 in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Charted and Professional Accountants ("SOCPA").

As required by the Capital Market Authority through its circular issued on 16 October 2016, the Company must apply the cost model to measure property, machinery, equipment, real estate investments, and intangible assets when adopting the IFRS for a period of three years beginning from the date of application of the IFRS, it was later extended until 31 December 2022.

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2- Basis of preparation "continued"

2/2 Preparation of financial statements

The financial statements have been prepared under the historical cost principle, unless International Financial Reporting Standards allow measurement in accordance with other valuation methods that are indicated in the clarification of the main accounting policies.

The preparation of the financial statements in accordance with international standards for the preparation of financial reports requires the management to make judgments, estimates, and assumptions that may affect the application of accounting policies and the amounts disclosed in the financial statements. These important estimates and assumptions are disclosed in note 4.

The Company`s financial statements are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in Saudi riyals, which is the functional and presentation currency. The numbers were rounded to the nearest riyals, unless otherwise stated.

2/3 New standards, amendments to standards, and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

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(All amounts are in Saudi Riyals)

2- Basis of preparation "continued"

2/3 New standards, amendments to standards, and interpretations "continued"

New amendments to standards issued and applied effective in the year 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant, and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

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(All amounts are in Saudi Riyals)

2- Basis of preparation "continued"

2/4 New standards, amendments, and revised IFRS issued but not yet effective

The Company has not applied the new and amended International Financial Reporting Standards and the following amendments to International Financial Reporting Standards that have been issued but are not yet effective.

IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as of and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

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3- The principal accounting policies

The following is an overview of the important accounting policies applied in preparing these financial statements of the company Tourism Enterprise Company (Shams) (A Saudi Joint Stock Company) These policies are applied continuously to all periods presented, except as indicated in the basis for preparation note 2, unless specified otherwise.

3/1 Foreign currencies

Translation of foreign currency transactions

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognized in the statement of profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to the statement of profit or loss on repayment of the monetary items.

foreign currency translation differences

Transactions denominated in currencies other than the presentation currency are recognized at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the exchange rates prevailing at that date. Exchange differences on monetary items are recognized in the statement of profit or loss in the period in which they arise except when another comprehensive profit is deferred to cover qualifying cash flows.

Assets and liabilities included in the financial statements of foreign companies that are issued in their functional currency are presented in Saudi Riyal, which is the functional and presentation currency using the exchange rates prevailing at the end of the year. Revenues and expenses in Saudi Riyal are translated according to the weighted average exchange rates during the year or according to the exchange rates prevailing at the date of the transaction for significant transactions.

Differences arising from the retranslation of opening net assets of foreign operations, together with differences arising from the translation of the net results for the year of foreign operations, are recognized in other comprehensive income.

When there is a change of control in a foreign operation, exchange differences that were recorded in equity are recognized in the statement of profit or loss as part of the gain or loss on disposal.

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Notes to the financial statements "continued"
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3- The principal accounting policies "continued"

3/2 Segment reporting

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating

results are reviewed regularly by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate expenses and related assets/liabilities (primarily the Company's headquarters). Head office expenses, research and development costs and related assets/liabilities, some goodwill and intangible assets, and Zakat liabilities.

3/3 Property, plant, and equipment

Property, plant, and equipment except lands owned by the company and properties work in progress are stated at cost less accumulated depreciation and impairment in value, if any. lands owned by the company and properties work in progress are valued at cost.

Depreciation is charged to income applying the straight- line method at the rates specified in the property, plant and equipment note. The estimated useful lives of assets will be depreciated as follow:

	Years
Buildings	5-30
Marina equipment	10-20
Motor vehicles	4
Marina equipment and tools	5-10
Furniture, fixture, and office equipment	4-10
Tools & equipment's	5

In respect of additions and disposals during the year, depreciation is charged from the months of acquisition or capitalization and up to the months preceding of the disposal respectively.

Annual review of residual values and useful lives

The residual value of the asset is the current estimated amount that the Company can obtain from excluding the asset after deducting the estimated costs of exclusion if the asset has already reached the expected life and condition at the end of its useful life.

The residual values and useful lives of the assets are reviewed and adjusted, if necessary, at the end of each financial period. If the forecasts differ from previous estimates, the change(s) is calculated as a change in accounting estimates.

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3- The principal accounting policies "continued"

3/3 Property, plant, and equipment "continued"

Asset segmentation

Property, plant, and equipment often consist of different parts with different useful lives or consumption patterns. These parts are replaced (independently) during the useful life of the asset. Accordingly:

Each part of the item of property, plant, and equipment is depreciated, the cost of which is relatively important relative to the total cost of the item independently (unless one of the important parts has the same useful life and the method of consuming another part of the same item of property, plant, and equipment, in which case, the two parts can be combined together for the purpose of consumption).

- Under the segmentation approach. The Company does not recognize the daily maintenance costs of the item in the carrying amount of the item of property, plant, and equipment. These costs are recognized in the statement of profit or loss when incurred. The components of the different assets are determined and depreciated separately only for the significant parts of property, plant, and equipment with useful lives or different depreciation patterns. However, the principles regarding parts replacement (which represent the subsequent cost of a replacement part) generally apply to all specific parts, regardless of whether they are significant or not important.

Capitalization of costs within property, plant, and equipment

The cost of the item of property, plant, and equipment consists of the following:

- Purchase price, including import duties, and non-refundable purchase taxes, after discounting commercial discounts and discounts.
- Any costs directly related to the origin of the site and the necessary condition for its operation in the manner deemed appropriate for the administration.
- Initial estimation of the costs of dismantling and moving the item, returning the site on which it is located to its natural state, and the obligation incurred either as a result of purchasing this item or as a result of using it during a specific period for purposes other than producing inventory during that year.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably, the recognition of the carrying amount of one of the parts recognized as a separate asset ceases at replacing it.

Borrowing costs related to the qualifying assets are capitalized as part of the cost of the qualifying assets until the commencement of commercial production.

All other repair and maintenance expenses are charged to the statement of profit or loss during the period of the financial statements in which they are incurred. Regular maintenance and repairs that do not increase the estimated useful life of the asset or production outputs are charged to the statement of profit or loss when incurred.

Profits and losses resulting from the disposal of property, plant, and equipment are determined by comparing the proceeds with the net book value and are included in other income.

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3- The principal accounting policies "continued"

3/4 Impairment of non-financial assets

An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount that is higher of an asset's fair value less costs of disposal and its value in use. Impairment losses are recognized in the statement of profit or loss.

The fair value is determined according to IFRS 13 on fair value and the cost of disposal is the cost that can only be added. The book value of the assets is evaluated by the current discounted value of future cash flows, taking into account the risks associated with money in the country in which it is dealt.

On the date of each financial position, the values of the non-financial assets other than the financial assets and those that were subject to impairment are reviewed for the possibility of reversing the decrease in the value. When the impairment loss is subsequently refunded, the carrying amount of the asset or cash-generating unit is increased in accordance with adjusted estimates of its recoverable amount, provided that the book value does not exceed if no loss has been recorded for the asset or cash-generating unit in previous years. A reversal of an impairment loss is recognized as direct income in the statement of profit or loss. Impairment of property, plant, and equipment primarily idle production capacity of the plant by closing or selling ineffective products from auxiliary products. When the impairment loss is subsequently reversed, the carrying amount of the asset is increased to the adjusted recoverable amount, within the book value limits that would have been determined if the impairment loss was not recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss, unless the underlying asset is included in the revalued value, in which case the reversal of the impairment loss is treated as an increase in the revaluation.

3/5 Assets held for sale and disposal groups

Non-current assets held for sale and disposal groups are presented separately in the current section of the statement of financial position when the following criteria are met:

- The Company is committed to selling the asset or disposal group,
- An active plan of sale has commenced,
- And the sale is expected to be completed within 12 months.

Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting policy. Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Assets held for sale are no longer amortized or depreciated.

Discontinued operations

Discontinued operations are reported when a component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for disposal or has been disposed of, if the component either, represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Also, when the board of directors has both approved and announced the planned discontinuance.

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3- The principal accounting policies "continued"

3/5 Assets held for sale and disposal groups "continued"

In the statement of profit or loss, income (loss) from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis. In the statement of cash flow, the cash flows from discontinued operations are presented separately from cash flows of continuing operations with disclosing the related assets and liabilities to be disposed of or settled from and the causes of those changes; prior periods are presented on a comparable basis.

3/6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand, balances with banks, highly liquid short term investments with a maturity of three months or less from the date of acquisition that are readily convertible to the known amount of cash and are subject to insignificant risk of change in value, demand deposits and overdrafts which are payable on demand are deducted.

3/7 Financial risks management

In the course of its business, the Company is exposed to a number of financial risks: credit risk, liquidity risk, and market risk (including foreign currency risk and interest rate risk, commodity price risk, and equity price risk). This note presents the Company's objectives, policies, and processes for managing its financial risks and capital.

Financial risk management is an integral part of the way the Company is managed. The Board of Directors determines the financial control principles as well as the principles of financial planning. The Chief Executive Officer organizes, manages, and monitors all financial risks, including asset and liability matters.

The Chief Executive Officer, chaired with the Chief Financial Officer, is the governing body for the establishment and subsequent execution of the Company's Financial Asset and Liability Management Policy. It ensures the implementation of strategies and achievement of objectives of the Company's financial assets and liabilities management, which are executed by the Central Treasury, in specific local circumstances, by the subsidiaries. Approved treasury management guidelines define, and classify risks as well as determine, by category of the transaction, specific approval, execution and monitoring procedures. The activities of the Central Treasury are supervised by the finance manager, which verifies the compliance of the strategies and/or operations with the approved guidelines and decisions taken by the BOD.

Credit risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises on liquid assets, non-current financial assets, derivative assets, trade, and other receivables.

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3- The principal accounting policies "continued"

3/7 Financial risks management "continued"

Credit risk "continued"

<u>Credit risk management</u> "continued"
The Company aims to minimize its financial credit risk through the application of risk management policies. Credit limits are set based on each counterparty's size and risk of default. The methodology used to set the credit limit considers the counterparty's, credit ratings, risk ratios, and default probabilities upon a professional assessment of such party at the time of granting a credit limit.

Counterparties are monitored regularly, taking into consideration the evolution of the above parameters, as well as their share prices and credit default swaps. As a result of this review, changes in credit limits and risk allocation are carried out. The Company avoids the concentration of credit risk on its liquid assets by spreading them over several institutions and sectors.

Trade receivables are subject to credit limits, control, and approval procedures in all the subsidiaries. Due to its large geographic base and number of customers, the Company is not exposed to material concentrations of credit risk on its trade receivables Nevertheless, commercial counterparties are constantly monitored following the similar methodology used for financial counterparties. The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking into account any collateral held or other credit enhancements, is the carrying amount of the Company's financial assets.

Liquidity risk
Liquidity risk is the risk that a Company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Such risk may result from the Company's inability to sell financial assets at a faster or fair value. The Company's objective is to manage this risk by limiting exposures to financial instruments that may be affected by liquidity problems and by maintaining sufficient backup facilities.

Market risk
The Company is exposed to risk from movements in foreign currency exchange rates, interest rates, and market prices that affect its assets, liabilities, and future transactions.

Foreign currency risk
The Company is exposed to foreign currency risk from transactions and translation. Transactional exposures arise from transactions in foreign currency. These are managed within a prudent and systematic hedging policy in accordance with the Company's specific business needs through the use of swaps.

Commission rate risk
The commission rate risk arises from the possibility of fluctuating commission rates which will affect the future profitability or fair value of the financial instruments. The Company is exposed to commission rate risk on its commission payable, specifically amounts due to banks. The management works to reduce commission rate risk on the Company through monitoring changes in commission rates relating to liabilities to which the Company pays the commission.

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3- The principal accounting policies "continued"

3/8 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

Recognition and initial measurement:

The Company's financial assets comprise of cash and cash equivalents, account receivables and other debit balances. Financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement:

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of commission receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Commission receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI) – debt investment;
- FVOCI – equity investment; or
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets 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.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

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3- The principal accounting policies "continued"

3/8 Financial instruments "continued"

Financial Assets "continued"

Classification and subsequent measurement "continued":

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and the information is provided to management.

Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified as profit or loss.

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3- The principal accounting policies "continued"

3/8 Financial instruments "continued"

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. The Company's significant financial liabilities include trade and other payables and lease liabilities.

Classification and subsequent measurement
An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:
- Financial liabilities at fair value through statement of profit or loss and other comprehensive income.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies.
- Financial guarantee contracts.
- Commitments to providing a loan at a below-market interest rate.
- Contingent consideration recognized as an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in the statement of profit or loss and other comprehensive income.

De-recognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability.

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3- The principal accounting policies "continued"

3/8 Financial instruments "continued"

De-recognition "continued"

Financial assets "continued"
The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are paid discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified, and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Offsetting of financial instruments
Financial asset and financial liability are offset and the net amount presented in the statement of financial position when, and only when the Company:
- Currently has a legally enforceable right to set off the recognized amounts; and
- Intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3/9 Derivative financial instruments
The Company's derivatives mainly consist of interest rate swaps and foreign currency swaps. Derivatives are mainly used to manage exposures to foreign exchange and interest rate risks as described in Market risk.

Derivatives are initially recognized at fair value. They are subsequently re-measured at fair value on a regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the statement of profit or loss unless they are in a qualifying hedging relationship.

Hedge account
The Company designates and documents certain derivatives and other financial assets or financial liabilities as hedging instruments against changes in fair values of recognized assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and verified at regular intervals and at least on a quarterly basis, using prospective and retrospective testing.

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Notes to the financial statements "continued"
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3- The principal accounting policies "continued"

3/9 Derivative financial instruments "continued"

Cash flow hedges

The Company uses cash flow hedges to mitigate a particular risk associated with a recognized asset or liability or highly probable forecast transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as the variability of expected interest payments and receipts. The effective part of the changes in fair value of hedging instruments is recognized in other comprehensive income, while any ineffective part is recognized immediately in the statement of profit or loss. When the hedged item results in the recognition of a non-financial asset or liability, including acquired businesses, the gains or losses previously recognized in other comprehensive income are included in the measurement of the cost of the asset or of the liability. Otherwise, the gains or losses previously recognized in the statement of other comprehensive income are removed and recognized in the statement of profit or loss at the same time as the hedged transaction.

Undesignated derivatives

Derivatives that not designated in a hedging relationship are classified as undesignated derivatives. They are acquired in the frame of approved risk management policies even though hedge accounting is not applied.

3/10 Impairment of financial assets

The Company 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 have occurred after the initial recognition of the asset and a 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 debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

IFRS 9 requires an entity to follow an expected credit loss model for the impairment of financial assets. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. For trade receivables, the Company applies a simplified approach to calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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. The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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3- The principal accounting policies "continued"

3/10 Impairment of financial assets "continued"

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The Company considers a financial asset to be in default when the debtor is unlikely to repay the outstanding balance to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

3/11 Employee benefits

Short and long-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating unused paid leaves that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the statement of financial position.

Employees' end-of-service benefits (EOSB)

The liability or asset recognized in the statement of financial position in respect of defined benefit. EOSB plan is the present value of the defined benefit obligation at the end of the reporting year. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs include current service costs and past service costs are recognized immediately in the statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

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3- The principal accounting policies "continued"

3/11 Employee benefits "continued"

Interest cost
The net interest cost is calculated by applying the discount rate to the net balance of the defined benefits obligation. This cost is included in employee benefits expense in the statement of profit or loss.

Re-measurement gains or losses
Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the year in which they occur, directly in the other comprehensive income.

3/12 Zakat & Tax
The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). The Company's zakat income tax is accrued and charged to the statement of profit or loss currently. Additional zakat and foreign income tax liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

3/13 Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount is recognized as a provision at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset and not as a reduction of the required provision and also the amount to be recognized as an asset should not exceed the amount of the provision, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Company.

3/14 Revenues
Revenue is recognized when control over an asset is transferred, either overtime or at a specific time. Control of an asset is known as the ability to direct the use and virtually all the benefits related to that asset.

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3- The principal accounting policies "continued"

3/14 Revenues "continued"

Service revenues

Revenue is recognized when the required services are transferred to customers in an amount that reflects the consideration that the Company expects it deserves in exchange for those services. Revenue is recognized when the following steps are met:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

When assessing these steps, management considers the following:

- The consent of the two parties (the buyer and the seller) to the sale, while transferring the rights of each party to these goods and services under the sale. Payment terms should also be studied to ensure that the contract has a commercial basis and that it is possible that a fee will be collected for the sale of these goods and services.
- Determine the agreed independent goods or services under the contract. These independent goods and services are referred to as performance obligations. When examining whether these goods and services are independent, the management evaluates whether these goods or services can provide a benefit in themselves and that the Company's promise to transfer these goods and services to the customer has been determined separately, and all Company sales are considered independent.
- The financial consideration expected to be paid by the Group in exchange for the transportation of these goods and services. All Company sales are at a fixed rate.
- Distributing the transaction price to the goods or services under the contract.
- Fulfillment of a performance obligation.

Other income

Other income is recognized on an accrual basis.

3/15 Expenses

The cost of goods sold is determined on the basis of the cost of production or of purchase, adjusted for the variation of inventories. All other expenses, including those in respect of advertising and promotions, are recognized when the Company receives the risks and rewards of ownership of the goods or when it receives the services.

Selling and marketing expenses

Selling and marketing expenses comprise all costs for selling and marketing the Company's products and include expenses for advertising, marketing fees and other sales-related overheads. Allocation between selling and marketing expenses and cost of sales are made on a consistent basis, when required.

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3- The principal accounting policies "continued"

3/15 Expenses "continued"

General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of the cost of sales or the selling and marketing activity of the Company. Allocation between general and administrative expenses and cost of sales, are made on a consistent basis, when required.

3/16 Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible bonds and share options granted to employees if any.

3/17 Related party transactions

Transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of the comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3/18 Subsequent events

The Company adjusts the financial statements, if an event occurs after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. These adjustments are made up to the date of approval of the Financial Statements by the Board of Directors.

3/19 Investments property

Investments Property are non-current assets acquired for the purpose of realizing rental returns or capital gains or both, but not for sale in the ordinary course of business or use in the production or supply of goods or services or for administrative purposes

4- Critical accounting estimates and judgments

The preparation of the financial statements requires company management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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4- Critical accounting estimates and judgments "continued"

The following critical judgments and estimates have the most significant effect on the amounts recognized in the financial statements:

- Lease contract duration
- Economic useful lives of property, plant, equipment;
- Economic useful lives of investments property
- Zakat and income taxes;
- Impairment of non-financial assets;
- Estimation of defined benefit obligation;
- Provision for doubtful debts;
- Provision for obsolete, slow- moving and damaged inventory; and
- Contingencies.

The areas subject to critical accounting estimates and judgments are mainly represented as follows:

Duration of lease contracts

When determining the term of a lease, management takes into account all facts and circumstances that create an economic incentive to exercise the option to extend or terminate. An evaluation is reviewed in the event of a material event or significant change in the circumstances that affect this assessment. During the current fiscal year, there was no material financial impact for reviewing the terms of the lease contracts to reflect the effect of exercising options for extension or termination.

Depreciation and amortization of non-current assets

Depreciation and amortization are recognized as writing off the cost of assets less their residual values over their useful lives, using appropriate method. The Company's management estimates the useful lives, residual values and depreciation method and reviews them at the end of each reporting period. The effect of any changes in estimate is accounted for on a prospective basis.

Zakat and Tax

Where the amount of zakat and tax liabilities or assets is uncertain, the Company recognizes provisions that reflect management's best estimate of the most likely outcome based on the facts known in the relevant jurisdiction. Any differences between zakat and tax estimates and final tax assessments are charged to the statement of profit or loss in the period in which they are incurred, unless anticipated.

Allowance for doubtful receivables

Allowances for doubtful receivables represent the Company's estimate of the losses that could arise from the failure or inability of customers to make payments when due. These estimates are based on the ageing of customers' balances, specific credit circumstances, and the Company's historical bad receivables experience.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company estimates the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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4- Critical accounting estimates and judgments "continued"

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Employee benefits

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

The Company determines the appropriate discount rate at the date of each financial report. In determining the appropriate discount rate, management considers interest rates for corporate bonds denominated in the currency in which the benefits are to be paid and which have maturity periods that are close to the expected duration of the relevant pension obligation.

Refer to disclosure 11 for further disclosure of the main sources of unconfirmed estimates in relation to the retirement benefit obligation.

5- Capital

Tourism Enterprises Company (Shams) is A Saudi Joint Stock Company listed in the Saudi Capital Market, with a capital of 52,566,930 Saudi Riyals, divided into 5,256,693 shares, with a nominal value of 10 Saudi Riyals per share. All its shares have been subscribed to and paid in full.

During the years 2021, the Board of Directors proposed to increase the company's capital from 52,566,930 Saudi riyals to 578,236,230 Saudi riyals by offering a right issue at a value of 525,669,300 Saudi riyals. The capital recommendation is subject to the official authorities and the extraordinary general assembly of the company

On 08-21-1443 AH corresponding to 03-24-2022. The company announced that it had submitted the file to the Capital Market Authority requesting approval to increase the aforementioned capital through offering a right issue. And that the capital increase is subject to the relevant regulatory approvals, including the approval of the company's extraordinary general assembly. On October 20, 2022, the Capital Market Authority issued approval to increase the company's capital.
On November 20, 2022, the shareholders decided in the Extraordinary General Assembly meeting to increase the capital by an amount of 525,669,300 million Saudi riyals by issuing right issue shares to support working capital, enhance the company's financial solvency, rehabilitate the current resort located in the eastern region, and enter into investments in the tourism sector in support of the Kingdom's Vision 2030, one of its pillars aims to increase and develop hospitality facilities and other tourism services in line with the future plans of the General Entertainment Authority .
On December 15, 2022, the company announced the results of the offering, and on December 22, 2022, the company received the net proceeds of the offering.
The company has fulfilled all regulatory requirements related to the aforementioned capital increase during the current year ending on December 31, 2022.

No of shares before increasing	No of shares increased	No of shares after increasing
5,256,693	52,566,930	57,823,623

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Tourism Enterprise Company (Shams)
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5- Property, plant, and equipment, net

	Buildings	Marina equipment's	Motor vehicles	Marina machineries, equipment, and tools	Furniture, fixture, and office equipment	Tools and equipment	Project under construction	Total
Cost:								
At January 01,2021	113,791,119	5,579,186	2,168,622	1,103,264	15,770,347	913,005	532,933	139,858,476
Additions during the year	117,857	-	69,000	-	98,716	18,895	3,107,229	3,411,697
Transfers for the year	1,292,138	204,796	45,000	-	179,801	26,592	(1,748,327)	-
Disposals during the year	-	-	-	-	-	-	(433,754)	(433,754)
At December 31,2021	115,201,114	5,783,982	2,282,622	1,103,264	16,048,864	958,492	1,458,081	142,836,419
Additions during the year	256,952	-	-	-	319,205	-	7,013,813	7,589,970
Transfers for the year	3,687,023	-	-	-	308,518	-	(3,995,541)	-
Disposals during the year	-	-	(130,000)	-	-	-	-	(130,000)
At December 31,2022	119,145,089	5,783,982	2,152,622	1,103,264	16,676,587	958,492	4,476,353	150,296,389
Accumulated depreciation:								
At January 01,2021	72,042,364	1,909,402	2,135,722	639,212	12,213,559	843,507	-	89,783,766
Charge for the year	4,181,916	352,456	18,241	110,740	1,048,548	30,988	-	5,742,889
Disposals during the year	-	-	-	-	-	-	-	
At December 31,2021	76,224,280	2,261,858	2,153,963	749,952	13,262,107	874,495	-	95,526,655
Charge for the year	4,665,645	388,111	41,595	110,739	922,835	28,916	-	6,157,841
Disposals during the year	-	-	(130,000)	-	-		-	(130,000)
At December 31,2022	80,889,925	2,649,969	2,065,558	860,691	14,184,942	903,411	-	101,554,496
Net book value:							-	
At December 31,2022	38,255,164	3,134,013	87,064	242,573	2,491,645	55,081	4,476,353	48,741,893
At December 31,2021	38,976,834	3,522,124	128,659	353,312	2,786,757	83,997	1,458,081	47,309,764

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6- Property, plant, and equipment, net "continued"

Buildings were built on land leased from the Municipality of Dammam for 40 years from the date of 1 Muharram 1410 H corresponding to 3 August 1989, ending on 30 Dhu al-Hijjah 1450 H corresponding to 14 May 2029. Without specifying the contract on the possibility of renewing the lease contract.

Depreciation for the year has been allocated as follows:

	31 December 2022	31 December 2021
Cost of revenue (note 16)	**5,986,008**	5,552,411
General and administrative expenses (note 18)	**171,833**	190,478
	6,157,841	5,742,889

6- Investments in properties, net

	Land	Buildings	Furniture, fixture, and office equipment	Total
Cost:				
At January 01,2021	3,000,000	6,917,106	394,927	10,312,033
Additions during the year	-	-	-	-
At December 31,2021	3,000,000	6,917,106	394,927	10,312,033
Additions	-	-	-	-
31 December 2022	**3,000,000**	**6,917,106**	**394,927**	**10,312,033**
Accumulated depreciation:				
At January 01,2021	-	3,188,319	348,588	3,536,907
Charge for the year	-	206,944	26,358	233,302
At December 31,2021	-	3,395,263	374,946	3,770,209
Charge for the year	-	**206,944**	**19,956**	**226,900**
At December 31,2022	-	**3,602,207**	**394,902**	**3,997,109**
Net book value:				
At December 31,2022	**3,000,000**	**3,314,899**	**25**	**6,314,924**
At December 31,2021	3,000,000	3,521,843	19,981	6,541,824

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7- Trade receivable, net

	31 December 2022	31 December 2021
Service fees receivables	6,356,931	6,626,040
Annual rent receivables	302,500	130,000
Building rent receivables	750,000	750,000
	7,409,431	7,506,040
Expected credit loss (note 8/1)	(2,601,171)	(4,994,450)
	4,808,260	2,511,590

8/1 Expected credit loss movement

	31 December 2022	31 December 2021
Balance as of 1 January	4,994,450	3,515,801
Formed during the year (note 18)	-	1,478,649
	(2,393,279)	-
Balance as of 31 December	2,601,171	4,994,450

8- Prepayments and other debt balances

	31 December 2022	31 December 2021
Prepaid expenses	363,671	627,728
Advances to vendors	1,671,128	2,671,858
Other receivables	599,266	-
Staff receivables	192,071	132,470
	2,826,136	3,432,056
Provision for doubtful debts (note 1/9)	(1,671,128)	(2,628,628)
Total	1,155,008	803,428

9/1 Provision for doubtful debts movement

	31 December 2022	31 December 2021
Opening balance as at January 1	2,628,628	2,628,628
Write off during the year	(957,500)	-
Balance as at December 31,	1,671,128	2,628,628

9- Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	73,012	13,047
Cash at banks	9,622,707	13,304,256
*Short term deposit	500,000,000	-
	509,695,719	13,317,303

* The amount is the value of a short-term Islamic Murabaha deposit

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10- End of service provision

Movement in employees' end of service benefits during the year is as follows:

	31 December 2022	31 December 2021
As at January 1	1,342,866	1,204,872
Service cost	220,707	201,071
Remeasurement loss (gain)	(163,851)	166,840
Paid during the year	(146,072)	(229,917)
As at December 31	1,253,650	1,342,866

Principal actuarial assumptions

	31 December 2022	31 December 2021
The discount factor rate used	5%	3%
Salary increase rate	3%	3%
Average Rate of employees	38.12	38.98
Employees turnover rate	7.26	7.85

Sensitivity analysis on the present value of defined benefit obligations plan is as below:

	Percentage %	31 December 2022 (Saudi Riyals)	31 December 2021 (Saudi Riyals)
Discount rate			
Increase	+1%	1,166,197	1,255,443
Decrease	-1%	1,353,403	1,441,753
Expected change of salary			
Increase	+1%	1,360,988	1,447,719
Decrease	-1%	1,158,128	1,248,532

11- Accrued expenses and other credit balances.

	31 December 2022	31 December 2021
Accrued expenses	4,635,325	2,236,408
Payable to unsubscribed rights	5,071,996	538,523
Advances from customers	140,846	173,793
Dividends payable	180,003	180,003
Retention	62,230	62,230
Other payable	1,226,118	1,201,863
	11,316,518	4,392,820

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12- Zakat

13/1 Accrued zakat

	31 December 2022	31 December 2021
Net loss before zakat	(7,069,057)	(12,882,008)
Provisions	735,707	7,478,954
Adjusted net loss	(6,333,350)	(5,403,054)
Share capital	65,528,639	52,566,930
Statutory reserve	2,913,121	2,913,121
Other	7,136,700	1,987,309
Capital increase expenses	(23,229,878)	-
Accumulated losses	(40,567)	14,162,700
Provisions	11,300,530	9,085,684
Property, plant, and equipment, net	(48,741,893)	(47,309,764)
Investments in property, net	(6,314,924)	(6,541,824)
Zakat base	2,484,109	21,461,102
Zakat at 2.5%	62,103	557,397

13/2 Movement in provision during the year

The movement in the zakat provision for the year was as follows:

	31 December 2022	31 December 2021
Balance beginning of the year	759,978	598,990
Provided during the year	62,103	557,397
Adjustment during the year	452,897	597,022
Zakat paid during the year	(42,397)	(993,431)
Balance end of the year	717,581	759,978

13/3 Zakat status

The company submitted the zakat return for all years up to 31 December 2021, and paid its due according to these zakat returns.

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13- Provision for claims

	31 December 2022	31 December 2021
Balance as of 1 January	**7,765,534**	1,966,300
During the year (note 20)	-	5,799,234
Reversal during the year	**(1,972,827)**	-
Balance as of 31 December	**5,792,707**	7,765,534

The claims provision represented in the provision provided in connection with the case of Hemaya Company for Security, Safety Equipment's and Trading Ltd., based on the preliminary court decision on 20 Rajab, 1442 corresponding to 4 March 2022 in which the lawsuit against Hemaya company was rejected. It is expected that the judgment in favor of the Tourism Projects Company (Shams) before the Court of Appeal. In case the company loses this issue with the Court of Appeal, the company is only committed to within the limits of its share in the capital of the Hemaya Company (note 20).

14- Revenue

	31 December 2022	31 December 2021
Daily rent revenue	**5,870,473**	11,264,362
Services and other fees revenue	**3,609,680**	3,991,516
Annual rent revenue	**520,761**	719,845
Total	**10,000,914**	15,975,723

15- Cost of sales

	31 December 2022	31 December 2021
Depreciation of property, plants and equipment (note 6)	**5,986,008**	5,552,411
Employees' salaries and wages	**1,715,755**	3,015,783
Rent	**36,000**	30,000
Government fees	**286,543**	292,700
Maintenance	**481,117**	974,957
Hospitality	**106,198**	217,242
Electricity and water	**119,636**	415,695
Cleaning	**158,419**	329,064
Others	**3,506**	1,287
Total	**8,893,182**	10,829,139

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16- Selling and marketing expenses

	31 December 2022	31 December 2021
Employees' salaries and wages	1,077,558	831,126
Events and festivals	29,826	107,160
Hospitality	47,731	17,877
Governmental expenses	21,515	28,215
Printing and stationary	-	2,600
Medical insurance	52,494	39,664
Advertising	161,714	39,822
Total	1,390,838	1,066,464

17- General and administrative expenses

	31 December 2022	31 December 2021
Employees' salaries and wages	**2,880,280**	2,457,338
Depreciation of property, plant and equipment (note 6)	**171,833**	190,299
Depreciation investments in property (note 7)	**226,900**	233,302
Allowances and bonuses of the Board of Directors	**4,058,000**	2,413,241
Security	**638,430**	544,237
Telephone and post	**331,581**	313,126
Medical insurance	**348,113**	286,369
Government fees	**418,601**	455,294
Professional fees	**619,326**	850,539
Maintenance	**64,171**	46,386
Hospitality	**16,908**	18,491
Bank charges	**70,021**	131,666
Printing and stationary	**35,528**	144,846
Electricity and water	**860,888**	702,440
Bad debts	**557,623**	-
Insurance	**44,835**	18,918
Cleaning	-	
Penalties	-	63,993
Excepted credit loss (note 8)	-	1,478,654
Transportation-Fuel	**206,194**	254,354
Amortize of project under construction (note 6)	-	433,754
Other expenses	**40,983**	210,107
Total	**11,590,215**	11,247,354

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18- Other income

	31 December 2022	31 December 2021
Revenue of a short-term Islamic Murabaha deposit	**597,222**	-
Chalet waiver fees	**10,000**	35,000
Gain on the sale of capital assets	**30,435**	-
Other	**151,650**	49,460
Total	**789,307**	84,460

19- Contingent liabilities

At 9 Jumada Al-Akher 1440 corresponding to 14 February 2019, the company's board of directors agreed to sign a memorandum of understanding to acquire part of the owners' shares in a group of Hemaya companies, which includes both:

- Saud Khalifa Med`j Al Fisam & Co. for the transfer of money, gold, jewelry, and stones.
- Saud Khalifa Med`j Al Fasam & Co. for Private Civil Security Services.
- Hemaya Company for Security, Safety Equipment's and Trading Ltd.

At 4 Dhu Al Qaeda 1440 corresponding to 7 July 2019, the Company's Board of Directors nullified the company's entry contract into the Hemaya Security Equipment, Safety and Trade Limited Company and did not proceed with the acquisition of Saud Khalifa Mud`ej Al Fasam and Co. for the transfer of funds, gold, jewelry and stones, and Saud Khalifa Mud`ej Al Fasam and Co. for Security Services and Private Civil. This is a result of the discovery of material financial obligations owed by the company to Hemaya Security, Safety and Trade Equipment Ltd. which were not disclosed in the company financial statement and due diligence.

It is worth noting that the "Shams" company quickly reacted to the matter and took the necessary measures and did not transfer any cash to date to a Hemaya Company for Security Equipment, Safety and Trade Limited due to the suspension of bank accounts for a protection company, and no cash will be paid in this regard as a result of those measures.

Accordingly, there are potential commitments of 5,618,000 million Saudi Riyals, which represent the contract value until the judgment is issued in the case filed by Shams Company against Hemaya Company, and based on the opinion of the company's legal advisor, the judgment is expected to be in favor of the company.

20- Financial risk management

The Company's activities expose it to the following financial risks from its use of the financial instruments:

- Credit risk and concentration of credit risk.
- Liquidity risk.
- Market risk (including Interest rate risk and foreign currency exchange risk).

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

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21- Financial risk management "continued"

21/1 Financial instruments by category

	31 December 2022	31 December 2021
Financial assets at amortized cost:		
Trade receivables	**4,808,260**	2,511,590
Other receivables	**1,155,008**	803,428
Cash and cash equivalents	**509,695,719**	13,317,303
Total financial assets	**515,658,987**	16,632,321
Financial liabilities at amortized cost:		
Trade payables	**825,499**	783,227
Other payables	**11,316,518**	4,392,820
Total financial liabilities	**12,142,017**	5,176,047

21/2 Credit risk

Credit risk represents the accounting loss that would be recognized at the financial position date if counterparties failed completely to perform as contracted. The Company has policies in place to minimize its exposure to credit risk. The maximum exposure to credit risk at the reporting date is as follows:

	31 December 2022	31 December 2021
Trade receivables	**4,808,260**	2,511,590
Other receivables	**1,155,008**	803,428
Cash and cash equivalents	**509,695,719**	13,317,303
	515,658,987	16,632,321

Due to Company's long-standing relations with counterparties and after giving due consideration to their financial position, the management does not expect non-performance by these counterparties on their obligations to the Company except for trade debts considered doubtful.

Banking transactions are limited to local banks and international banks with high credit ratings. The management believes that the remaining balance with the financial banks without an official classification is highly qualified international financial institutions.

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21- Financial risk management "continued"

21/3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 12 months. The Company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section below.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down on its agreed overdraft facility.

The liquidity risk of each Company entity is managed centrally by the Company treasury function. Each operation has a facility with the Company treasury, the amount of the facility is based on budgets. The budgets are set on an individual basis and agreed by the board in advance, enabling the Company's cash requirements to be anticipated. Where facilities of Company entities need to be increased, approval must be sought from the Company management.

The Company's financial current liabilities consist of the current portion of bank facilities; trade accounts payable and accrued expenses and other liabilities. These liabilities are expected to be settled within 12 months of the balance sheet date and the Company expects to have adequate funds available to do so.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted contractual cash payments:

	Carrying amount	Contractual cash flows	Less than 3 months
At 31 December 2021			
Accounts payable	783,227	783,227	783,227
Accrued liabilities and other liabilities	4,392,820	4,392,820	4,392,820
Total undiscounted financial liabilities	5,176,047	5,176,047	5,176,047
At 31 December 2022			
Accounts payable	**825,499**	**825,499**	**825,499**
Accrued liabilities and other liabilities	**11,316,518**	**11,316,518**	**11,316,518**
Total undiscounted financial liabilities	**12,142,017**	**12,142,017**	**12,142,017**

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21- Financial risk management "continued"

21/4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments due to fluctuation in the related financial instruments value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

Fair value and cash flow interest risk

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company is exposed to interest rate risk on its interest-bearing assets and liabilities mainly bank overdraft, bank facilities, and other borrowings. Management limits the Company's interest rate risk by monitoring changes in interest rates. Management monitors the changes in interest rates and believes that the cash flow and fair value interest rate risk to the Company is not significant.

The Company's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Company is not exposed to fair value interest rate risk.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprise in a given period.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Company during the year are in Saudi Riyals and US Dollars and there are no significant risks related to the balance stated at USD Dollars since the exchange of Saudi Riyal begged to US Dollar. The Company's exposure to currency risk arising from currencies that are not pegged to USD is not material. The Company is exposed to currency risk on foreign debtors and foreign trade payables in EURO and GBP. The total foreign currency risk exposure on reporting date is immaterial.

21/5 Fair values of financial instruments

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 Company's financial assets consist of cash and cash equivalents, accounts receivables, and some other assets, while its financial liabilities consist of trade accounts payables, some accrued expenses, and other liabilities. The fair values of financial instruments are not materially different from their carrying values.

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21- Financial risk management "continued"

21/6 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves and net debt (net of cash and cash equivalent). The salient information relating to capital risk management of the Company as of 31 December 2022 and 2021 were as follows:

	31 December 2022	31 December 2021
Total debt	**19,905,955**	15,044,425
Less: cash and bank balances	**(509,695,719)**	(13,317,303)
Net debt	**(489,789,764)**	1,727,122
Total equity	**550,809,849**	55,439,484
Total capital employed	**61,020,085**	57,166,606
Gearing ratio	**(8.03)**	0.03

22- Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	31 December 2022	31 December 2021
Net loss before Zakat	**(6,717,908)**	(12,882,008)
The weighted average number of shares	**9,637,271**	9,855,061
Basic share of (loss) SAR per share	**(0.70)**	(1.31)

	31 December 2022	31 December 2021
Net loss for the year	**(7,232,908)**	(14,036,427)
The weighted average number of shares	**9,637,271**	9,855,061
Basic share of (loss) SAR per share	**(0.75)**	(1.42)

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23- Transactions with related parties

Transactions with related parties during the year represented in salaries, benefits and equivalent for high level management amounted by 5,450,241 Saudi Riyals (2021: 3,175,710 Saudi Riyals).

24- Statutory reserve

In accordance with the Saudi Arabian Companies Law and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the capital. This reserve is not available for dividend distribution.

25- Comparative figures

Some of the prior- year figures have been reclassified to conform to the current year`s presentation.
25/1 Classification to the comparative balance sheet as on December 31, 2021

	31 December 2021		
	Before Re-Classification	**Re-Classification**	**After Re-Classification**
Statement of financial position			
Trade payables	605,506	177,721	783,227
Accrued expenses and other credit balances	4,570,541	(177,721)	4,392,820

25/2 Amendments to the statement of comparative profit or loss as of December 31, 2021

	Before Re-Classification	**Re-classification**	**After Re-Classification**
Profit or Loss and Other Comprehensive Income			
Cost of revenue	12,892,512	(2,063,373)	10,829,139
Selling and distribution expenses	1,066,925	(461)	1,066,464
Administrative expenses	9,183,520	2,063,834	11,247,354

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C.R. 2050021572
Saudi Joint - Stock Co. شركة مساهمة سعودية
رقم الغرفة ٣٣٦
سجل تجاري : ٢٠٥٠٠٢١٥٧٢
HALF - MOON BAY
شاطئ نصف القمر
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Tourism Enterprise Company (Shams)
(A Saudi Joint Stock Company)
Notes to the financial statements "continued"
For the year ended 31 December 2022
(All amounts are in Saudi Riyals)

26- Subsequent events

On 16/1/2023, the CEO, Mr. Ali Abdullah Salham, resigned, and the resignation was accepted on 16/1/2023, provided that it takes effect from the date of accepting the resignation, due to his personal circumstances and special reasons. The managing director will manage the company during the coming period.

27- Board of directors' approval

These audited financial statements have been approved on 7 Ramadan, 1444 corresponding to 29 March 2023 by the Board of Directors.

Chambers # 336 رقم الغرفة ٣٣٦
C.R. 2050021572 Saudi Joint - Stock Co. شركة مساهمة سعودية سجل تجاري : ٢٠٥٠٠٢١٥٧٢
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