طيبة للاستثمار

TAIBA INVESTMENTS

SHAREHOLDER CIRCULAR

This document is issued by Taiba Investments Company ("**Taiba**") and addressed to its shareholders in accordance with the requirements of Article (75) of the Rules on the Offer of Securities and Continuing Obligations regarding the increase in the share capital of Taiba for its Acquisition of all shares in Dur Hospitality Company ("**Dur**") by offering a securities exchange transaction in accordance with Article (26) of the Merger and Acquisition Regulations.

This shareholder circular (the "**Circular**") has been prepared by Taiba in accordance with the requirements of Article (75) of the Rules on the Offer of Securities and Continuing Obligations in connection with the increase in the share capital of Taiba from SAR 1,604,574,830 (one billion, six hundred four million, five hundred seventy four thousand, eight hundred thirty Saudi riyals) to SAR 2,604,574,830 (two billion, six hundred four million, five hundred seventy four thousand, eight hundred thirty Saudi riyals) and increasing the number of Taiba's shares from 160,457,483 (one hundred sixty million, four hundred fifty seven thousand, four hundred eighty-three) ordinary shares to 260,457,483 (two hundred sixty million, four hundred fifty seven thousand, four hundred eighty-three) ordinary shares; which represents an increase of (62.32%) in the current share capital of Taiba.

The capital will be increased for the purpose of acquisition of all Dur's Shares, which are one hundred million (100,000,000) ordinary shares with a nominal value of SAR (10) per share by submitting a securities exchange offer in accordance with Article (26) of the Merger and Acquisition Regulations in consideration for Taiba's issuance of one hundred million (100,000,000) ordinary shares with nominal value of SAR 10 per share for Dur's shareholders (the "**Consideration Shares**"), through a capital increase ("**Transaction**").

Dur is a Saudi listed joint stock company and was established as a Saudi joint stock company having its head office at Riyadh, KSA, and registered in the Commercial Register under No. (1010010726) on 06/01/1397H (corresponding to 27/12/1976G). Dur's current share capital is one billion (1,000,000,000) Saudi Riyals divided into one hundred million (100,000,000) equal ordinary shares, with nominal value of SAR 10 per share, which is fully paid. For more details about Dur, please see Section (3.7) ("***Overview of Dur's Operations***") and Section (4) ("***Management's discussion and analysis of the financial position and results of operations***").

Taiba has entered into a binding implementation agreement with Dur on 17/09/1444H (corresponding to 08/04/2023G) ("**Implementation Agreement**"), for the purpose of Taiba's acquisition of all Dur's shares in exchange for Taiba's issuance of the Consideration Shares to Dur's Shareholders. Under the Implementation Agreement, following the approval of Taiba and Dur's Transaction EGM (referred to as "**Transaction Completion**"), Dur's Shareholders who are registered in the shareholders' register of Dur at the end of the second trading period following the date of Transaction Completion will receive only **one (1) share** in Taiba per each share they own in Dur ("**Exchange Ratio**"). Upon the Transaction Completion, Dur will become an unlisted joint stock company wholly owned by Taiba (for more details about the conditions of the Transaction, please refer to Section (5.2) ("***Legal Information of the Transaction***"). The Transaction Completion is conditional upon obtaining approvals of both Taiba's Transaction EGM and Dur's Transaction EGM (for more details about the conditions of, and procedures for, Transaction Completion, please refer to Section (5.2.5.1) ("***Implementation Agreement Terms and Conditions***") and Section (5.2.2) ("***Approvals Required for Transaction Completion***"). The Transaction is subject to satisfying the conditions set out in the Implementation Agreement as summarized under Section (5.2.5.1) ("***Implementation Agreement Terms and Conditions***"), noting that such conditions may not be amended or waived without the written approval of both companies. On 18/09/1444H (corresponding to 09/04/2023G), Taiba made an announcement confirming the signing of the Implementation Agreement and its firm intention to proceed with the Transaction and to make an offer to Dur's shareholders in this respect.

All Taiba's shares are of one class and no share gives its shareholders preferred rights. The Consideration Shares will be issued of the same class of the current Taiba's shares with the same rights they enjoy including voting rights and rights to receive dividends. The Consideration Shares will entitle their holders to receive dividends declared by Taiba following the date of Transaction Completion according to the eligibility date for each declared dividend. After issuing the Consideration Shares, the ownership of current Taiba's shareholders will constitute (61.6%) of Taiba's share capital, while Dur's shareholders will own (38.4%) of Taiba's share capital. It should be noted that in the case of approval of the Transaction, Dur's shares to be acquired will be transferred to Taiba following the Transaction Completion without bearing any dividends. For more details about the Transaction impact and justifications, please refer to Section (3.2) ("***Transaction Rationale***").

The total value of the Transaction will be determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 1,000,000,000 (one billion Saudi Riyals). The total market value of the Consideration Shares is SAR 2,950,000,000 (two billion nine hundred fifty million Saudi Riyals), based on the closing price of (SAR 29.50) for Taiba's share on 15/09/1444H (corresponding to 06/04/2023G) (which is the last trading day prior to the date of entry into the Implementation Agreement). The total value of Consideration Shares to be recorded in the financial statements of Taiba will be determined at a later stage based on the closing price of Taiba's share at the last trading day prior to the date of Transaction Completion.

The current share capital of Taiba is SAR 1,604,574,830 (one billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty Saudi riyals) divided into 160,457,483 (one hundred sixty million, four hundred fifty-seven thousand, four hundred eighty-three) ordinary shares with a nominal value of SAR 10 (ten Saudi riyals) per share, all of which are fully paid and listed on the Saudi Exchange (Tadawul).

The following table shows details of ownership in Taiba of each of the Substantial Shareholders of Taiba and Dur and the public prior to and following the Transaction as of 16/03/1445H (corresponding to 01/10/2023G):

Shareholder	Pre-Completion		Post-Completion	
	No. of Shares in Taiba	Shareholding % in Taiba	No. of Shares in Taiba	Shareholding % in Taiba
Assila Investment Company	26,845,269	16.730%	53,989,053	20.729%
Mohammed Ibrahim Mohammed Al-Eissa	11,897,114	7.414%	23,898,563	9.176%
Mohammed Saleh Hamza Serafi	12,837,271	8%	12,837,271	4.929%[4]
Al-Salihat Trading and Contracting Holding Company	10,500,000	6.544%	10,500,000	4.031%[5]
Public Investment Fund	5,484,374	3.418%	22,112,832	8.490%[6]
Members of Taiba's Board of Directors[1]	5,298	0.003%	5,298	0.002%
Taiba's senior executives[2]	N/A	N/A	N/A	N/A
Public[3]	92,888,157	57.890%	137,114,466	52.644%
Total	**160,457,483**	**100%**	**260,457,483**	**100%**

(1) Based on the shares owned directly by Taiba's directors only. For further information about the indirect ownership and interest, please refer to Section (3.3) ("***Shareholding of Taiba's Directors***").

(2) Based on the shares owned directly by Taiba's senior executives only.

(3) Include all shares owned by non-Substantial Shareholders in Taiba and Dur and the directors and senior executives of Taiba.

(4) Mohammed Saleh Hamza Serafi will not be a Substantial Shareholder after the completion of the Transaction, as his ownership will decrease below 5% of Taiba shares after the completion.

(5) Al-Salihat Trading and Contracting Holding Company will not be a Substantial Shareholder after the completion of the Transaction, as its ownership will decrease below 5% of Taiba shares after the completion.

(6) The Public investment Fund is not a Substantial Shareholder in Taiba but will become a Substantial Shareholder after the Transaction is completed due to the high ownership of more than 5% of Taiba shares.

As for the Related Parties, according to the ROSCOs, Dur shall be a Related Party for being controlled by a Substantial Shareholder in Taiba, Mr. Mohammed Ibrahim Mohammed Al-Eissa (who directly owns (12%) and controls Assila Investment Company, which owns (27.14%) of Dur's Shares). In contrast to Dur, there is no party to the Implementation Agreement other than Dur, therefore there are no other Related Parties according to the ROSCOs. Dur does not hold any share in Taiba as on the date of this Circular.

According to the Merger and Acquisition Regulations, each of the following parties are Related Parties: The Public Investment Fund (PIF) as a Substantial Shareholder in Dur with a representative in the Board of Directors of Taiba, and Mr. Ibrahim Mohammed Al-Eissa (Chairman of the Board of Directors of Taiba) as a member of the Board of Directors of Taiba and of Assila Investment Company since Assila Investment Company and Dur are under joint control of Mr. Mohammed Ibrahim Mohammed Al-Eissa, and both Mr. Mohammed

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Ibrahim Mohammed Al-Eissa and Assila Investment Company as they are presumed to act in concert (since they are in the same group as Assila Investment Company is controlled by Mr. Mohammed Ibrahim Mohammed Al-Eissa) and they collectively own (20%) or more in both Taiba and Dur. Those Related Parties can vote on the Acquisition Resolutions only in one EGM of either company according to the MARs and the exemption granted by the CMA (for more details about the exemption, please refer to Section (8) ("***Exemptions***").

It is worth noting that a number of directors of Taiba have an interest in the Transaction. Mr. Ibrahim Mohammed Al-Eissa (as he is a board member and a shareholder in Assila Investment Company, which is a substantial shareholder of Dur, and given his parents have an interest in Dur's shares); Mr. Ghassan Yasser Shalabi (as one of his relatives is a board member in Assila Investment Company, which is a substantial shareholder in Dur); Mr. Feras Salah-Adin Al-Qurashi (as he is a representative of the Public Investment Fund in Taiba's board, which is a substantial shareholder in Dur); Mr. Mohammed Abdulmohsen Al-Qurainis (as he is a senior executive in Assila Investment Company, which is a substantial shareholder in Dur); and Mr. Badr Bin Hamoud Al-Badr (as he owns shares in Dur and was its CEO from 2012G until 2019G) have declared their interest in the Transaction to Taiba's board and subsequently abstained from voting on the board's resolution to approve the Implementation Agreement.

There are also directors of Dur's board who have an interest in the Transaction. Mr. Bader Bin Abdullah Al Issa (as he is a shareholder of Taiba and the CEO of Assila Investment Company, which is a substantial shareholder in Taiba), Mr. Fahd bin Abdullah Al Issa (as he is a board member of Assila Investment Company, which is a substantial shareholder in Taiba), and Mr. Mishary Bin Najy Al-Ibrahim (as he is a shareholder in Taiba and a representative of PIF on Dur's board; which in turn is a shareholder in Taiba) have declared their interest in the Transaction to Dur's board and subsequently abstained from voting on the board's resolution to approve the Implementation Agreement.

The following table sets out the names and shareholdings of the Related Parties in relation to the Transaction as of 16/03/1445H (corresponding to 01/10/2023G):

Name	Nature of Relationship/ Conflict	Direct Ownership in Taiba		Direct Ownership in Dur	
		No. of Shares	Shareholding %	No. of Shares	Shareholding %
Public Investment Fund	Substantial shareholder in Dur and has a representative on the board of Taiba	5,484,374	3.418%	16,628,458	16.628%
Ibrahim Mohammed Al-Eissa	On the board of Assila and Taiba, and whereas, Assila and Dur are jointly controlled by Mohammed Ibrahim Mohammed Al-Eissa	1,000	0.0006%	N/A	N/A
Mohammed Ibrahim Mohammed Al-Eissa*	Presumed to act in concert (they are in the same group due to control of Mohammed Ibrahim Mohammed Al-Eissa over Assila) since they collectively own 20% or more in Taiba and Dur	11,897,114	7.414%	12,001,449	12.001%
Assila Investment Company		26,845,269	16.730%	27,143,784	27.144%
Total		**44,227,757**	**27.563%**	**55,773,691**	**%55.77**

* Mohammed Al-Eissa has an interest in both Taiba and Dur represented below:

- **In Taiba:** (1) the endowment of Mohammed Ibrahim Al-Eissa which owns (5,000,000) shares, (2) his wife's ownership of (149,892) shares, (3) the ownership of his son Abdulrahman Al-Eissa which amounts to (3,358,340) shares, (4) the ownership of his son Waleed Al-Eissa which amounts to (2,480) shares, (5) the ownership of his son Ibrahim Al-Eissa which amounts to (1,000) shares. These shares represent (5.305%) of the capital of Taiba.
- **In Dur:** (1) the ownership of his son Abdulrahman Al-Eissa amounting to (2,000,000) shares, (2) the ownership of his son Waleed Al-Eissa amounting to (70,000) shares, (3) the ownership of his son Abdullah Al-Eissa amounting to (1,449) shares. These shares represent (2.071%) of Dur's capital.

The following table sets out the details of the ownership of the directors of Taiba and Dur in relation to the Transaction as of 16/03/1445H (corresponding to 01/10/2023G):

Name	Interest	Shareholding in Taiba				Shareholding in Dur			
		Direct	Indirect Interest [1]	Total	%	Direct	Indirect Interest [1]	Total	%
Taiba Conflicted Directors									
Ibrahim Mohammed Ibrahim Al-Eissa	Member of the Board of Directors and shareholder of Assila Investment Company, one of the major shareholders of Dur. His parents also have an interest in Dur.	1,000	17,047,006[2]	17,048,006	10.62%	N/A	12,001,449[3]	12,001,449	12.001%
Ghassan Yasser Shalabi	One of his relatives is a member of the Board of Directors of Assila Investment Company, one of the major shareholders of Dur	2,098	40,720[4]	42,818	0.03%	N/A	N/A	N/A	N/A
Feras Salah-Adin Al-Qurashi	A representative of the Public Investment Fund, a major shareholder of Dur	N/A	5,484,374[5]	5,484,374	3.418%	N/A	16,628,458[5]	16,628,458	16.628%
Mohammed Abdulmohsen Al-Qurainis	Senior Executive at Assila Investment Company, one of the major shareholders of Dur	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Badr Hamoud Al-Badr	Owns shares in Dur and was its CEO from 2012G to 2019G	100	N/A	100	0.0001%	2,429	N/A	2,429	0.0002%

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Name	Interest	Shareholding in Taiba				Shareholding in Dur			
		Direct	Indirect Interest [(1)]	Total	%	Direct	Indirect Interest [(1)]	Total	%
Dur Conflicted Directors									
Bader Bin Abdullah Al Issa	Shareholder in Taiba and CEO of Assila Investment Company; a substantial shareholder in Taiba	25	N/A	25	0.00002%	1,485	1,449[(6)]	2,934	0.0029%
Fahd bin Abdullah Al Issa	Member of the Board of Directors of Assila Investment Company; a substantial shareholder in Taiba	N/A	N/A	N/A	N/A	30	1,449[(7)]	1,479	0.0014%
Mishary Bin Najy Al-Ibrahim	A shareholder in Taiba and a representative of the Public Investment Fund on the Board of Directors of Dur, which in turn is a shareholder in Taiba.	300	5,484,374[(8)]	5,484,674	3.418%	N/A	16,628,458[(8)]	16,628,458	16.628%

Source: Taiba, and Dur in relation to Dur's board of directors

(1) Shares in which they have an indirect interest, meaning shares directly owned by: (1) companies controlled by the member, (2) the member's relatives, i.e., his spouse, parents and children, or (3) the entity in which the member represents.

(2) Represents the ownership of the father of the director Ibrahim Mohammed Al-Eissa which amounts to (11,897,114) shares, in addition to the ownership of the father's endowment amounting to (5,000,000) shares, in addition to the ownership of the mother of director Ibrahim Mohammed Al-Eissa in Taiba which amounts to (149,892) shares.

(3) Represents the ownership of the member's father, Ibrahim Mohammed Al-Eissa, in Dur.

(4) Represents the ownership of the daughter of director Ghassan bin Yasser Shalaby.

(5) Ownership of the Public Investment Fund, which is represented by Member Firas Al-Qurashi.

(6) Represents the ownership of director Bader Al-Issa's father.

(7) Represents the ownership of director Fahad Al-Issa's father.

(8) Represents the ownership of PIF which is represented by director Mishary Al-Ibrahim.

Taiba has submitted an application to the CMA to list and offer the Consideration Shares and to the Saudi Exchange (Tadawul) to accept the listing of the Consideration Shares. The CMA's approval was obtained on 22/04/1445H (corresponding to 06/11/2023G) while Saudi Exchange's approval was obtained on 28/12/1444H (corresponding to 16/07/2023G), and all requirements of the CMA and the Saudi Exchange (Tadawul) were met. Subject to obtaining approvals from Taiba's Transaction EGM and Dur's Transaction EGM, all the regulatory approvals related to the Transaction and the increase of Taiba's share capital were obtained (for more details in this regard, please refer to Section (5.2.2) ("***Approvals Required for Transaction Completion***")).

This Circular includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations (the "**ROSCOs**") issued by the Capital Market Authority of Saudi Arabia (the "**CMA**") and the application for listing of securities in compliance with the Listing Rules of the Saudi Stock Exchange Company. The directors, whose names appear in this Circular, collectively and individually accept full responsibility for the accuracy of information contained in this Circular. They also confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Stock Exchange Company do not take any responsibility for the contents of this Circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Circular.

As an exception from the above declaration, neither Taiba nor its directors, executives and employees will accept any responsibility for the accuracy of information relating to Dur or its subsidiaries, shareholders and directors contained in this Circular. All information contained in this Circular in relation to Dur and its subsidiaries has been included on the basis of the information provided by Dur and information obtained in connection with the Transaction during the due diligence exercise conducted by Taiba and its advisers on Dur and certain subsidiaries. Dur is obligated under the Implementation Agreement to provide Taiba with all information about Dur required for preparing this Circular. Dur has also submitted under the Implementation Agreement, a representation to Taiba (as usually done under such agreements) related to the correctness and completeness of the information (in all material aspects) submitted to Taiba regarding the Transaction as on the date of submission of such information. This information will include the information submitted during the stage of conducting professional due diligence studies and preparing Transaction-related documents including this Circular. Dur also warrants and represents that the information submitted is not misleading in all material aspects. Dur also represented under the Implementation Agreement that it did not conceal any material information related to the Transaction from Taiba.

The members of the board of directors of Taiba (other than the conflicted directors) believe that the Transaction is in the best interest of Taiba and its shareholders, having conducted appropriate due diligence - with the support of their advisors - they deemed sufficient under the current circumstances and considered the market position prevailing at the time of the publication of this Circular in addition to the future growth prospects of Taiba and Dur, including potential synergies and the opinion of J. P. Morgan Saudi Arabia on 15/09/1444H (corresponding to 06/04/2023G) (Taiba's Financial Advisor in connection with the Transaction) to Taiba's board of directors, (a copy of such opinion is attached to this Circular as Annex 2), to the effect that, as of that date and based upon and subject to the factors and assumptions set forth therein, the Exchange Ratio agreed under the Implementation Agreement was fair from a financial point of view to Taiba.

The shareholders must fully read this Circular and review all its sections carefully especially Section "***Important Notice***" and Section (1) "***Risk Factors***", before voting on the Transaction EGM of Taiba.

Taiba appointed J. P. Morgan Saudi Arabia as a financial advisor in relation to the Transaction.

Financial Advisor

J.P.Morgan

This Shareholder Circular was published on: 25/04/1445H (corresponding to 09/11/2023G). It was drafted in both Arabic and English. Arabic shall be the official language of the Circular and in case of any discrepancy between the Arabic and English texts, the Arabic text shall prevail.

This Shareholder Circular is an unofficial English translation of the official Arabic version and is provided for information purposes only. The Arabic Shareholder Circular remains the only official, legally binding version and shall prevail in the event of any conflict between the two languages.

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Important Notice

This Circular has been prepared by Taiba pursuant to Article (75) of the Rules on the Offer of Securities and Continuing Obligations regarding Taiba's share capital increase to acquire all Dur's shares through a securities exchange transaction in accordance with Article (26) of the Merger and Acquisition Regulations. The purpose of this Circular is to provide Taiba Shareholders with information on the Transaction in order to assist them in making an informed decision at Taiba's Transaction EGM based on the recommendation of Taiba's Board to increase its share capital for the purpose of acquiring all Dur's Shares. Taiba Shareholders' approval of the Transaction according to the duly required quorum is a condition for the Transaction completion. By publication of this Circular, Taiba shareholders are fully aware of the information contained in this Circular and their decisions and votes in Taiba's Transaction EGM regarding the Transaction shall be treated on such basis. The counterparts of this Document may be obtained from the headquarters of Taiba or through Taiba's website (www.taiba.com.sa), CMA website (cma.org.sa), or Saudi Exchange (Tadawul) website (www.saudiexchange.sa).

The CMA and the Saudi Exchange (Tadawul) assume no responsibility for the contents of this circular, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss resulting from the contents of this circular or from reliance on any part thereof.

The information and statements contained in this Circular were presented as they are on the date of issuance of this Circular unless another date is specified for any information or statements contained in this Circular. Consequently, this information is subject to change after the date of publication of this Circular. Accordingly, publication of this Circular does not necessarily mean that none of the facts or information contained in this Circular on Taiba, Dur, or any of their subsidiaries have changed. Any information contained in this Circular should not be considered expectations or projections on the future financial performance of Taiba, Dur or any of their subsidiaries. No statement in this Circular is to be construed as a profit forecast that future earnings per Taiba share will match or exceed the historical earnings per Taiba share. For more details on the risks related to the acquisition of Dur, please refer to Section (1) ("***Risk Factors***"), which shareholders should carefully review.

Taiba shall prepare and publish a supplementary shareholders' circular after its submission and approval to the CMA, upon becoming aware at any time after the date of publication of this circular and before Taiba's Transaction EGM of any of the following: (1) there is a significant change in material matters contained in this circular, and (2) the emergence of any significant matters that should have been included in this circular.

No person was authorized to provide any information or to make any representations on behalf of Taiba's board except what is declared in this Circular. Therefore, no information or statements from other parties should be construed as information or statements of Taiba or J. P. Morgan Saudi Arabia or any advisor of Taiba in relation to the Transaction.

All the information contained in this Circular is of a general nature and has been prepared without considering the individual investment objectives, the financial situation or the investment needs of any specific shareholder. The board of directors of Taiba recommend that Taiba shareholders should read and carefully consider all information contained in this Circular, and when in doubt as to the action any shareholder should take at Taiba's Transaction EGM, the board of directors of Taiba recommend that such shareholder consults an independent financial advisor licensed by the CMA in relation to the Transaction and relies on its own examination of the Transaction and the information herein with regard to such Taiba shareholder's individual objectives, financial situation and needs.

This Circular may not be construed as legal, financial, zakat-related or tax advice. The recipient of this Circular should seek specialized advice from their own legal, financial and tax advisors in relation to such topics.

Taiba appointed J.P. Morgan Saudi Arabia as a financial advisor in relation to the Transaction. J.P. Morgan Saudi Arabia - a capital market company licensed to operate in the KSA by the CMA- as an exclusive financial advisor of Taiba in relation to the Transaction. The company shall not be liable towards any party except for Taiba when giving advice on the Transaction or any other issue referred to in this Circular.

Moreover, J.P. Morgan Saudi Arabia or other advisors referred to in the ("***Corporate Directory***") Section did not independently ascertain the correctness and accuracy of the information contained in this Circular. Accordingly, those advisors, or any of their affiliates, managers or employees shall not be liable for any direct or indirect loss or damage that any person may incur due to their reliance on any information included in this Circular, or due to incorrect, inaccurate, or incomplete information contained in this Circular.

FORWARD-LOOKING FORECASTS AND STATEMENTS

This Circular contains certain forward-looking statements. Such forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as" anticipate"," target", "expect", "estimate", "intend", "plan", "will", "believe", "aim", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements in this Circular include, without limitation, statements relating to the following: (i) expected benefits from the acquisition, future expectations of financial performance and conditions, and other future events; (ii) business and management strategies and the expansion and growth of the operations of Taiba and Dur following the Transaction; and (iii) the Transaction and the dates on which events are expected to occur.

The forward-looking statements appearing in this Circular reflect the current point of view of Taiba and its management. They are based on numerous assumptions, including assumptions regarding the present and future business strategies of Taiba and the environment in which it will operate in the future. Forward-looking statements are not a promise, or a guarantee of future events given several, visible and invisible, factors that may affect the future, causing it to be materially different from the expectations, expressed or implied by this Circular. The risks and uncertainties relating to forward-looking statements are beyond Taiba's control and cannot be estimated precisely, such as future market conditions and the behaviors of other market participants. Therefore, the recipient of this Circular should read these forward-looking statements based on this notice but may not rely on such statements. For more details on the risks related to the Transaction, specifically on Dur, please refer to Section (1) ("***Risk Factors***"), which shareholders should carefully review.

All oral or written forward-looking statements made by Taiba or any person acting on its behalf are expressly qualified in their entirety by the Important Notice contained in this Section.

Taiba does not intend to amend or update any forward-looking statements contained in this Circular, except as required pursuant to applicable laws and regulations.

PUBLICATION AND DISTRIBUTION RESTRICTIONS

This Circular is addressed to Taiba's shareholders, subject to any restriction in the rules of any Restricted Jurisdiction. This Circular does not constitute a sale offer or purchase order for any securities to any person in any jurisdiction.

FINANCIAL AND OTHER INFORMATION

Taiba and Dur financial statements for the financial years ended on 31 December 2020G, 31 December 2021G, and 31 December 2022G are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in KSA and other standards and versions issued by SOCPA. It should also be noted that financial information contained in this Circular is based on management estimates and has not been independently audited by chartered accountants or otherwise except as expressly stated. Save as disclosed otherwise, all financial information is set out in SAR.

Figures contained in the financial statements may differ, if aggregated, from those contained in this Circular as a result of rounding. This Circular contains percentages which are approximate numbers for the purpose of presentation.

This circular has been prepared in accordance with the laws and regulations in force in the Kingdom of Saudi Arabia, and the type and presentation of the information contained therein may vary if prepared in accordance with the regulations of another jurisdiction. Taiba does not intend to take any action to publish or register this circular or the Consideration shares in any jurisdiction other than the Kingdom of Saudi Arabia. The Transaction relates to securities of Saudi companies listed on the Saudi Exchange (Tadawul), and therefore this circular and any other documents or announcements related to the Transaction have been and will be prepared in accordance with the disclosure requirements applicable in the Kingdom of Saudi Arabia only, which may differ from those applicable in other jurisdictions.

SECTOR AND MARKET INFORMATION

The market information and details contained in Section (2) ("***Information on the Market and Industry where Dur Operates***") were obtained from JLL Saudi Arabia ("**Market Adviser**").

About Market Adviser

JLL (listed in New York Security Exchange under symbol: NYSE: JLL) is a leading professional service company specialized in real estate management and investment. JLL is a Fortune 500 company with annual revenues that amount to (20.9) billion US dollars. It operates in more than 80 countries with a workforce of over 103k workers around the globe as of 31 December 2022G. JLL is the tradename and the registered trademark of Jones Lang LaSalle Incorporated. For more information, please visit JLL.com. In the Middle East and Africa (MEA), JLL operates in 35 countries across the region and employs more than 1650 internationally qualified professionals across its offices in Dubai, Abu Dhabi, Riyadh, Jeddah, Al Khobar, Cairo, Casablanca, Johannesburg and Nairobi.

Market information is considered to be of a general nature. This information represents the Market Adviser's point of view, and is not a guarantee of the nature or trends of the market and industry in the future. This information is provided as on date thereof and is subject to constant change. This section will not be updated by the Market Adviser or others. Neither Taiba nor its directors, employees and other advisers have verified the information contained in this Circular. Accordingly, no representation or warranty is made or implied by those parties as to accuracy or completeness of the information contained in this Circular and they do not accept any responsibility as to the accuracy or completeness of that information.

Corporate Directory

Taiba Investments Company	
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Taiba Representatives	
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Note: The above advisors have given and, as at the date of this Circular, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Circular (as applicable).

Summary

This summary is intended to provide Taiba shareholders with an overview of the Transaction. As such, reading this Section does not substitute reading the other sections of this Circular. Shareholders shall read this Section as an introduction to the information related to the Transaction. It is also important to read this Circular and the information contained herein carefully especially ("***Important Notice***") Section and Section (1) ("***Risk Factors***") – before making any decision related to voting on the Acquisition Resolutions in Taiba's Transaction EGM.

Taiba (Issuer)	
Name, Description and Incorporation Information	Taiba was established pursuant to Royal Decree No. (M/41) dated 16/06/1408H, and its incorporation was announced under the decision of His Excellency Minister of Commerce No. (134) issued on 13/02/1409H (corresponding to 24/09/1988G) and it is a joint stock company registered in the Commercial Register under number (4650012403) on 10/04/1409H (corresponding to 19/11/1988G) issued from Madinah.
Taiba's Business Activities	According to Taiba's bylaws, Taiba carries out the following activities: 1) Managing its subsidiaries or co-managing and providing the necessary support for other companies where it has shares; 2) Investing its funds in shares and other securities according to the legal and Shariah conditions; 3) Owning real estate and movables necessary for its business; 4) Providing loans, sureties and funding to its subsidiaries; 5) Holding and utilizing intellectual property rights including patents, trademarks, franchise rights and other nominal rights, and leasing such rights to its subsidiaries or others; 6) Owning, developing, investing, selling, purchasing, renting, leasing managing, operating and maintaining real estate; 7) Owning, investing in, managing, operating and maintaining hotels, hospitals, residential complexes of all types and tourist and recreational facilities; 8) Maintaining, managing and operating cities, facilities and public and private buildings; 9) Architecture, civil, mechanical and electrical contracting; 10) Agricultural, industrial and mining activities according to the applicable laws; 11) Trading in wholesale and retail consumer materials, equipment, machinery, agricultural, electrical, electronic systems and rations; 12) Providing insurance and mortgage services; 13) Supervising implementation of real estate projects; 14) Importing materials, devices, furniture, tools and equipment in relation to the company's business; 15) Any other legitimate purpose that is consistent with Taiba nature. According to its commercial registration, the purposes of Taiba are as follows: 1) Buying and selling land, real estate, dividing them and off-plan sales activities. 2) Management and leasing of owned or leased properties (residential). 3) Management and leasing of owned or leased properties (non-residential). 4) General construction of residential buildings. 5) Hotel. 6) Motels. 7) Hotel apartments.

Substantial Shareholders in Taiba and their number of shares and shareholding percentage before and after the Transaction Completion.

The following table shows details of direct ownership in Taiba of each of the Substantial Shareholders prior to and following the Transaction Completion as of 16/03/1445H (corresponding to 01/10/2023G):

Shareholder	Pre-Completion		Post-Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Assila Investment Company	26,845,269	16.730%	53,989,053	20.729%
Mohammed Ibrahim Mohammed Al-Eissa	11,897,114	7.414%	23,898,563	9.176%
Mohammed Saleh Hamza Serafi[1]	12,837,271	8%	12,837,271	4.929%
Al-Salihat Trading and Contracting Holding Company[2]	10,500,000	6.544%	10,500,000	4.031%
Public Investment Fund[3]	5,484,374	3.418%	22,112,832	8.490%
Total	**67,564,028**	**42.106%**	**123,337,719**	**47.355%**

(1) Mohammed Saleh Hamza Serafi will not be a Substantial Shareholder after Transaction Completion as his ownership will fall below 5% of the shares of Taiba after Transaction Completion.

(2) Al-Salihat Trading and Contracting Holding Company will not be a Substantial Shareholder after Transaction Completion as its ownership will decrease below 5% of the shares of Taiba after Transaction Completion.

(3) The Public Investment Fund is not currently a Substantial Shareholder in Taiba but will become a Substantial Shareholder after Transaction Completion due to the increase of its ownership to more than 5% of Taiba shares.

Taiba's share capital	One billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (1,604,574,830) Saudi Riyals.
Total Number of Taiba Shares	One hundred sixty million, four hundred fifty seven thousand, four hundred eighty three (160,457,483) ordinary shares.
Nominal Value per Share	Ten (10) Saudi Riyals.
Total Number of the Consideration Shares	One hundred million (100,000,000) shares.
Consideration Shares% from Taiba's Current Share Capital	62.32%
Issuance Value of each Consideration Share	The nominal value of Consideration Shares is ten (10) Saudi Riyals per share and the shares shall be fully paid. The total value of Consideration Shares, as will be recorded on the financial statements of Taiba, will be determined at a later stage on the basis of the closing price of Taiba's share on the last trading day prior to the date of Transaction Completion.
Total Value of the Issuance of Consideration Shares	The total nominal value of Consideration Shares shall be one billion Saudi Riyals (SAR 1,000,000,000). The total market value of Consideration shares is two billion, nine hundred fifty million Saudi Riyals (SAR 2,950,000,000) based on the closing price of Taiba share of SAR (29.50) as at 15/09/1444H (corresponding to 06/04/2023G) (the last trading day preceding the date of executing the Implementation Agreement). The total value of Consideration Shares to be included in Taiba's financial statements will be determined at a later date based on the closing price of Taiba's share on the last trading day preceding the Transaction Completion.
Description of the Transaction	
Description of the Transaction	The Transaction will be implemented as a securities exchange offer pursuant to Article (26) of the Merger and Acquisition Regulations. Taiba will acquire all Dur's Shares which amounts to one hundred million (100,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share in exchange of Taiba's issuance of one hundred million (100,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share to Dur Shareholders by increasing Taiba's paid-up share capital from one billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (1,604,574,830) Saudi Riyals to two billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (2,604,574,830) Saudi Riyals and increasing the number of Taiba's shares from one hundred sixty million, four hundred fifty-seven thousand, four hundred eighty-three (160,457,483) shares to two hundred sixty million, four hundred fifty-seven thousand, four hundred eighty-three (260,457,483) shares. Upon the Transaction Completion, Dur will become an unlisted joint stock company wholly owned by Taiba. For more details about the Transaction Completion, please refer to Section (5.2) ("***Legal Information of the Transaction***").
Dur (to be acquired)	
Name, Description, and Incorporation Information	Dur is a Saudi listed joint stock company, established as a Saudi joint stock company headquartered in Riyadh, and registered in the Commercial Register under No. (1010010726) on 06/01/1397H (corresponding to 27/12/1976G).

Dur's Business Activities	According to Dur's bylaws, Dur's objectives are: 1) Construction, ownership, management, operation, investment, purchase, participation, rental, and lease of hotels, restaurants, motels, rest houses, furnished residential units, entertainment centers, travel and tourism agencies, and private beaches of all levels and sizes, in cities, highways and tourist areas. 2) Ownership and purchase of land, real estates and properties, as well as their development, division and sorting. Construction of residential, commercial and hotel buildings, in addition to their sale, conveyance, or lease, and their utilization by all means and real estate management, for the benefit of the Company or third parties; and performance of the operation and maintenance works. 3) Provision of services to Umrah pilgrims and visitors of the Prophet's Mosque. 4) Conducting all the basic and intermediate work required to carry out, process and initiate the various aspects of the aforementioned business activities, in accordance with the purposes for which they are intended. 5) Achievement of a high-level service, and the services provided in such locations, and their processing in accordance with their degree in a manner approved by Dur's Board of Directors. According to its commercial register, Dur's purposes are: 1) Management and leasing of owned or leased properties (residential). 2) Management and leasing of owned or leased properties (non-residential). 3) Property management activities for a commission. 4) General construction of residential buildings. 5) General construction of non-residential buildings such as schools, hospitals, hotels, etc. 6) Hotels. 7) Hotel apartments. 8) Holiday home chalets. 9) Restaurants with service. For more details about Dur, please refer to Section (3.7) ("***Overview of Dur's Operations***").
Substantial Shareholders in Dur and their number of shares and shareholding percentage before and after the Transaction Completion.	The following table shows details of direct ownership in Dur of each of the Substantial Shareholders prior to and following the Transaction Completion as of 16/03/1445H (corresponding to 01/10/2023G): (see table below)

Shareholder	Pre-Completion		Post-Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Assila Investment Company	27,143,784	27.144%	N/A	N/A
Mohammed Ibrahim Mohammed Al-Eissa	12,001,449	12.001%	N/A	N/A
Public Investment Fund	16,628,458	16.628%	N/A	N/A
Taiba	N/A	N/A	100,000,000	100%
Total	**55,773,691**	**55.77%**	**N/A**	**100%**

Ownership of Dur's Shareholders in Taiba after the Transaction Completion	After issuance of the Consideration Shares, Dur's Shareholders will own (38.4%) of Taiba's share capital.
Dur's Share Capital	One billion (1,000,000,000) Saudi Riyals.
Total Number of Dur's Shares	One hundred million (100,000,000) Ordinary Shares.
Shares to be Acquired	One hundred million (100,000,000) Ordinary Shares.
Other	
Related Parties	As for the Related Parties, according to ROSCOs, Dur is a Related Party for being controlled by a Substantial Shareholder in Taiba, Mr. Mohammed Ibrahim Mohammed Al-Eissa, who directly owns (12%) and controls Assila Investment Company, which owns (27.14%) of Dur's shares. There is no party to the Implementation Agreement other than Dur, therefore there are no other Related Parties according to ROSCOs. According to the Merger and Acquisition Regulations, each of the following parties are Related Parties: The PIF as a Substantial Shareholder in Dur with a representative in the Board of Directors of Taiba, and Mr. Ibrahim Mohammed Al-Eissa (Chairman of the Board of Directors of Taiba) as a member of the Board of Directors of Taiba and of Assila Investment Company since Assila Investment Company and Dur are under joint control of Mr. Mohammed Ibrahim Mohammed Al-Eissa, and both Mr. Mohammed Ibrahim Mohammed Al-Eissa and Assila Investment Company as they are presumed to act in concert (since they are in the same group as Assila Investment Company is controlled by Mr. Mohammed Ibrahim Mohammed Al-Eissa) and they collectively own (20%) or more in both Taiba and Dur. Those Related Parties can vote on the Acquisition Resolutions only in one EGM of either company according to the MARs and the exemption granted by the CMA. For more details about the exemption, please refer to Section (8) ("***Exemptions***").

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Total and Detailed Value of the Consideration

The total nominal value of Consideration Shares is one billion (1,000,000,000) Saudi Riyals, and the total market value of the Consideration Shares is two billion nine hundred fifty million (2,950,000,000) Saudi Riyals based on the closing price of SAR (29.50) of Taiba's share as on 15/09/1444H (corresponding to 06/04/2023G) (which is the last trading day prior to the date of executing the Implementation Agreement). The total value of Consideration Shares, as will be recorded on the financial statements of Taiba, will be determined at a later stage on the basis of the closing price of Taiba's share on the last trading day prior to the date of Transaction Completion.

The Structure of Transaction

The below diagram is a simplified description of the structure of Transaction:

Pre-Completion and Post-Completion Shareholding Structure in Taiba

The following table shows details of direct ownership in Taiba prior to and following the Transaction Completion as of 16/03/1445H (corresponding to 01/10/2023G):

Shareholder	Pre-Completion		Post-Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Assila Investment Company	26,845,269	16.730%	53,989,053	20.729%
Mohammed Ibrahim Mohammed Al-Eissa	11,897,114	7.414%	23,898,563	9.176%
Mohammed Saleh Hamza Serafi	12,837,271	8%	12,837,271	4.929%[4]
Al-Salihat Trading and Contracting Holding Company	10,500,000	6.544%	10,500,000	4.031%[5]
Public Investment Fund	5,484,374	3.418%	22,112,832	8.490%[6]
Members of Taiba's Board of Directors[1]	5,298	0.003%	5,298	0.002%
Taiba's senior executives[2]	N/A	N/A	N/A	N/A
Public[3]	92,888,157	57.890%	137,114,466	52.644%
Total	**160,457,483**	**100%**	**260,457,483**	**100%**

(1) Based on the shares owned directly by Taiba's directors only. For further information about the indirect ownership and interest, please refer to Section (3.3) ("***Shareholding of Taiba's Directors***").

(2) Based on the shares owned directly by Taiba's senior executives only.

(3) Include all shares owned by none of the Substantial Shareholders of Taiba and Dur, senior executives, and directors of Taiba.

(4) Mohammed Saleh Hamza Serafi will not be a Substantial Shareholder after Transaction Completion as his ownership will fall below 5% of Taiba shares.

(5) Al-Salihat Trading and Contracting Holding Company will not be a Substantial Shareholder after Transaction Completion as its ownership will fall below 5% of Taiba shares.

(6) The Public Investment Fund is not currently a Substantial Shareholder in Taiba, but will become a Substantial Shareholder after Transaction Completion due to the increase in its ownership to more than 5% of Taiba shares.

Pre-Completion and Post-Completion Shareholding Structure in Dur	The following table shows details of direct ownership in Dur prior to and following the Transaction Completion as of 16/03/1445H (corresponding to 01/10/2023G):

Shareholder	Pre-Completion		Post-Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Assila Investment Company	27,143,784	27.144%	N/A	N/A
Mohammed Ibrahim Mohammed Al-Eissa	12,001,449	12.001%	N/A	N/A
Public Investment Fund	16,628,458	16.628%	N/A	N/A
Members of Dur's Board of Directors[1]	6,715	0.007%	N/A	N/A
Dur's senior executives[2]	N/A	N/A	N/A	N/A
Public[3]	44,219,594	44.220%	N/A	N/A
Taiba	N/A	N/A	100,000,000	100%
Total	**100,000,000**	**100%**	**100,000,000**	**100%**

(1) Based on the shares owned directly by Dur's directors only. For further information about the indirect ownership and interest, please refer to Section (3.7.6) ("***Dur's Directors and Executives***").

(2) Based on the shares owned directly by Dur's senior executives only.

(3) Include all shares owned by none of the Substantial Shareholders, directors, and senior executives of Taiba.

Dilution Effects

The Transaction will lead to a decrease in the shareholding of the current Taiba shareholders (without taking into consideration their ownership in Dur, if any) to (61.6%) of the total Taiba's share capital after Transaction Completion. This will not result in any change in the number of shares currently owned by Taiba Shareholders.

(For further information and details about the risks related to the dilution effects on voting power, etc. please refer to Section (1.2.1) ("***Risks related to the decrease in the ownership percentage of Taiba's shareholders and the subsequent decrease in voting power***").

Earnings Per Share Accretion

The table below shows Taiba's earnings per share based on Taiba's audited financial statements for the fiscal year ended 31 December 2022G, and based on the unaudited pro forma condensed consolidated financial information for the year ended 31 December 2022G (which do not take into account the benefits of the Transaction):

Earnings per share (based on Taiba's audited financial statements for the year ended 31 December 2022G	0.87
Earnings per share after capital increase (based on the unaudited pro forma condensed consolidated financial information for the year ended 31 December 2022G)	0.69

The Transaction is expected to result in added value for Taiba shareholders supported by the combined asset portfolio, development opportunities, benefits and savings expected in the short to medium term. It should be noted that it is difficult to predict any future events or results, and therefore you should not rely entirely on any expectations or statements regarding earnings per share after the Transaction. For more details, please refer to Section (3.11) ("***Impact on earnings per share as a result of the Transaction***")

The Transaction Rationale

The Transaction will make Taiba one the largest hospitability companies in the region. It will enable it to play a vital role to provide opportunities presented by the National Transformation Program for Saudi Vision 2030. Taiba's size after the Transaction will place it in a better position to benefit from major growth areas and be one of the major stakeholders in supporting and implementing the National Tourism Strategy. Taiba will also be able to benefit from the geographic integration of Taiba and Dur asset portfolios across the KSA. After the Transaction, Taiba is expected to benefit from the accumulated knowledge of the local market across different cities in the KSA (including major cities such as Riyadh, Jeddah, holy cities Makkah and Madinah, and upcoming cities such as Tabuk and Jubail) which may enhance the competitive advantage and create opportunities for better value for shareholders.

For further details please refer to Section (3.2) ("***Transaction Rationale***").

Summary of Key Steps to Effect the Capital Increase and Issue the Consideration Shares

The key steps required for the Transaction Completion and finalization of the related procedures, which are not carried out at the date of this circular, are as follows:

- Obtaining approvals from both Taiba Shareholders and Dur's Shareholders on the Acquisition Resolutions at Taiba's Transaction EGM and Dur's Transaction EGM.
- Publishing the outcomes of Taiba's Transaction EGM and Dur's Transaction EGM.
- Delisting Dur's Shares.
- Listing the Consideration Shares and depositing them in portfolios of Dur's eligible shareholders.
- Updating commercial registers of Taiba and Dur to reflect the Transaction.

For more information, please refer to Section (3) ("***The Transaction***") and "***Key Dates and Milestones***" Section.

Entitlement to Dividends of the Consideration Shares	The Consideration Shares will entitle their holders to receive dividends declared by Taiba following the date of the Transaction Completion according to the eligibility date for each declared dividend.
Required Approvals in Connection with the Capital Increase	The Transaction and the Capital Increase are conditional upon obtaining a number of approvals as follows: – CMA approval of the Capital Increase request and publication of the Offer Document. This approval was obtained on 22/04/1445H (corresponding to 06/11/2023G). – Saudi Exchange (Tadawul) approval on the listing of Consideration Shares on the Saudi Exchange (Tadawul). This approval was obtained on 28/12/1444H (corresponding to 16/07/2023G). – A non-objection from the General Authority for Competition with respect to the economic concentration arising from the Transaction. This non-objection was obtained on 02/12/1444H (corresponding to 20/06/2023G). – A non-objection from the Ministry of Commerce in respect of the proposed amendments to the bylaws of Taiba. This non-objection was obtained on 23/04/1445H (corresponding to 07/11/2023G). – The CMA approval to convene Taiba's Transaction EGM and Dur's Transaction EGM, the date and time of such EGM shall be announced on Saudi Exchange (Tadawul) website. – Approvals from Taiba's Shareholders and Dur's Shareholders on the Acquisition Resolutions at Taiba's Transaction EGM and Dur's Transaction EGM. Neither EGMs has been convened yet. For further information on the conditions and procedures of the Transaction, please refer to Section (5) ("***Legal Information***").
Voting Rights of the Consideration Shares	All Taiba's shares are of one class and no share gives its shareholders preferred rights. The Consideration Shares will be issued of the same class of the current Taiba's shares with the same rights they enjoy including voting rights and rights to receive dividends in accordance with the Companies Law and the bylaws of Taiba.
Restrictions on the Consideration Shares	Trading the shares of Taiba is subject to the regulations, circulars, and instructions of the competent authorities in the Kingdom of Saudi Arabia, and non-Saudis may not purchase Taiba shares; and the Consideration Shares will be subject to the same restriction. It should be clarified that the Consideration Shares will be issued to the eligible non-Saudi shareholders of Dur with all their associated rights (including voting and dividends) and they will be able to dispose of and sell them, but they will not be able – like any other non-Saudi investor – to purchase shares in Taiba.

Taiba's Capital Increase is conditional upon approval of Taiba's Transaction EGM and Dur's Transaction EGM.

Key Dates and Milestones

The table below includes the expected timeline of the key events related to the Transaction. The dates below are approximate, and Taiba (Dur or Saudi Exchange (Tadawul), as the case may be) shall announce the actual events that must be announced on Saudi Exchange (Tadawul) website according to the relevant laws and regulations including any changes that may be made to the timeframe.

Event	Timeline/ Expected Date
1. Actions required in relation to EGM	
Submission of the final draft of the Offer Document and Shareholders' Circular to the CMA.	The final drafts of the Offer Document and Shareholders' Circular were submitted to the CMA on 25/03/1445H (corresponding to 10/10/2023G)
The CMA's approval of the capital increase application and publication of the Offer Document.	22/04/1445H (corresponding to 06/11/2023G)
The CMA's approval to convene Taiba's Transaction EGM and Dur's Transaction EGM.	25/04/1445H (corresponding to 09/11/2023G)
Publication of the invitation to Taiba's Transaction EGM on the Saudi Exchange (Tadawul) website (with a reference to the possibility of holding a second meeting within an hour after the end of the time allocated to the first meeting if the first meeting was not quorate).	25/04/1445H (corresponding to 09/11/2023G)
Publication of the invitation to Dur's Transaction EGM on the Saudi Exchange (Tadawul) website (with a reference to the possibility of holding a second meeting within an hour after the end of the time allocated to the first meeting if the first meeting was not quorate).	25/04/1445H (corresponding to 09/11/2023G)
Publication of the Offer Document, the Shareholders' Circular, and Dur Board's Circular.	25/04/1445H (corresponding to 09/11/2023G)
Making documents available for inspection.	25/04/1445H (corresponding to 09/11/2023G)
The start of the electronic voting period for shareholders in Taiba's Transaction EGM.	12/05/1445H (corresponding to 26/11/2023G)
The start of the electronic voting period for shareholders in Dur's Transaction EGM.	12/05/1445H (corresponding to 26/11/2023G)
Taiba's Transaction EGM (first meeting) – quorum required is shareholders representing at least 50% of Taiba's share capital.	16/05/1445H (corresponding to 30/11/2023G)
Taiba's Transaction EGM (second meeting) (if the quorum for the first meeting is not attained) – quorum required is shareholders representing at least 25% of Taiba's share capital.	One hour after the expiry of the period specified for Taiba's first inquorate meeting.
Dur's Transaction EGM (first meeting) – quorum required is shareholders representing at least 50% of Dur's share capital.	16/05/1445H (corresponding to 30/11/2023G)
Dur's EGM (second meeting) (if the quorum for the first meeting is not attained) – quorum required is shareholders representing at least 25% of Dur's share capital.	One hour after the expiry of the period specified for Dur's first inquorate meeting.
Announcing the Acquisition Resolutions passed at Taiba's Transaction EGM (first or second meeting) on the Saudi Exchange (Tadawul) website (or, if the EGM was inquorate, the announcement of such fact).	19/05/1445H (corresponding to 03/12/2023G)
Announcing the Acquisition Resolutions passed at Dur's Transaction EGM (first or second meeting) on the Saudi Exchange (Tadawul) website (or, if the EGM was inquorate, the announcement of such fact).	19/05/1445H (corresponding to 03/12/2023G)
2. Actions required in the event that the first and second EGM were inquorate	
The CMA's approval to convene Taiba's or Dur's Transaction EGM (third meeting).	23/05/1445H (corresponding to 07/12/2023G)
Publication of the invitation to Taiba's or Dur's Transaction EGM (third meeting) on the Saudi Exchange (Tadawul) website.	26/05/1445H (corresponding to 10/12/2023G)
The start of the electronic voting period for Taiba's or Dur's Transaction EGM (third meeting) on the Saudi Exchange (Tadawul) website.	12/06/1445H (corresponding to 25/12/2023G)
Taiba's or Dur's Transaction EGM (third meeting) – which will be valid irrespective of the number of shares represented at the meeting.	18/06/1445H (corresponding to 31/12/2023G)

Event	Timeline/ Expected Date
Announcing the Acquisition Resolutions passed at Taiba's or Dur's Transaction EGM (third meeting) on the Saudi Exchange (Tadawul) website	19/06/1445H (corresponding to 01/01/2024G)
3. Transaction Completion and Complementary Steps	
Transaction Completion	16/05/1445H (corresponding 30/11/2023G) (if approval is obtained in the first or second meeting of Taiba's Transaction EGM and Dur's Transaction EGM). 18/06/1445H (corresponding 31/12/2023G) (if approval is obtained in the third meeting of Taiba's Transaction EGM and Dur's Transaction EGM, as the case may be).
Suspension of trading of Dur shares	The first trading period following the date of Transaction Completion, which is expected to occur on: 19/05/1445H (corresponding to 03/12/2023G) (If approval is obtained in the first or second meeting of Taiba's Transaction EGM and Dur's Transaction EGM). 19/06/1445H (corresponding to 01/01/2024) (if approval is obtained in the third meeting of Taiba's Transaction EGM and Dur's Transaction EGM, as the case may be).
Delisting Dur's shares from the Saudi Exchange (Tadawul)	Within a period not less than the third trading period and not exceeding the sixth trading period after the date of Transaction Completion.
Listing the Consideration Shares on the Saudi Exchange (Tadawul) and allocating such shares to the respective shareholders of Dur who are registered in Dur's shareholders register at the end of the second trading period following the date of Transaction Completion.	Within a period of not less than the third trading period and not exceeding the sixth trading period after the date of Transaction Completion.
Amendment of Taiba's commercial register and submitting the amended bylaws to the Ministry of Commerce.	Within thirty (30) days from the Transaction Completion, which is expected to occur on: 18/06/1445H (corresponding to 31/12/2023G) (if approval is obtained in the first or second meeting of Taiba's Transaction EGM and Dur's Transaction EGM). 18/07/1445H (corresponding 30/01/2024G) (if approval is obtained in the third meeting of Taiba's Transaction EGM and Dur's Transaction EGM, as the case may be).

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Definitions and Terms

The following definitions apply throughout this Circular, unless the context requires otherwise:

Implementation Agreement	The binding Implementation Agreement dated 17/09/1444H (corresponding to 08/04/2023G) concluded between Taiba and Dur setting out the terms and conditions of, and the parties' rights and obligations in connection with, the Transaction.
Transaction Completion	After approval of the Transaction EGM is issued for both Taiba and Dur.
Extraordinary General Assembly (EGM)	An extraordinary general assembly meeting of the shareholders of the relevant Company convened in accordance with the provisions of the bylaws of the relevant Company.
Consideration Shares	The new Taiba shares to be issued to eligible Dur Shareholders pursuant to the Transaction amounting to one hundred million (100,000,000) ordinary shares with a nominal value of SAR (10) per share.
Firm Intention Announcement	The announcement published by Taiba on the Saudi Exchange's (Tadawul) website on 18/09/1444H (corresponding to 09/04/2023G) regarding its firm intention to place an offer of acquisition of all Dur's shares through a securities exchange transaction in accordance with Article (17) (e) of the Merger and Acquisition Regulations.
Affiliate	A person who controls another person or is controlled by such other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
Shareholder Circular	This Shareholders' Circular issued by Taiba in line with the requirements of Article 75 of the ROSCOs.
Dur Board's Circular	The circular issued by Dur's board, to Dur's shareholders, pursuant to Article (39) of MARs in response to Taiba's offer relating to the Transaction which provides the views of Dur's board of directors on the offer to Dur shareholders, and Taiba's plans for Dur and its employees.
Dur's Transaction EGM	The extraordinary general assembly meeting of Dur convened for the purpose of the Acquisition Resolutions.
Taiba's Transaction EGM	The extraordinary general assembly meeting of Taiba convened for the purpose of the Acquisition Resolutions.
Material Adverse Event	Means, pursuant to the definition agreed upon in the Implementation Agreement, any event, occurrence or change in circumstances which individually, or when aggregated with all such other events, occurrences or changes, has or could reasonably be expected to have a material adverse effect on the business, assets, liabilities, financial position, profitability or prospects of either of the Dur Group or the Taiba Group (in each case taken as a whole) or on the Transaction or its implementation, provided that the following shall not be considered in determining whether a Material Adverse Event has occurred: a) Any deterioration of the economic, political or market conditions or securities, credit, financial or other capital markets conditions in the financial services industry globally, in the Middle East, in the KSA or in general except to the extent that such effect adversely affects either company in a materially disproportionate manner compared to other businesses in the industry in which the group of both companies operates (as the case may be). b) Any change, event or development to the extent solely resulting from the execution and delivery of the Implementation Agreement or the public announcement, pendency or consummation of the Transaction or any of the other transactions contemplated by the Implementation Agreement, including the impact of such changes or developments on the relationships, contractual or otherwise, of either company's group (as the case may be) with employees, clients, suppliers or partners; c) Any change, event or development to the extent resulting from any failure of either company (as the case may be) to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts and circumstances giving rise to such failure may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Event if such facts and circumstances are not otherwise described in paragraphs (a) or (d) through (h) of this definition); d) Any change, in and of itself, in the market price, credit rating (with respect to either company or its securities, if any) or trading volume of their shares (it being understood that the facts and circumstances giving rise to such change may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Event if such facts and circumstances are not otherwise described in paragraphs (a), (c) or (e) through (h) of this definition); e) Any change or proposed change, after the Implementation Agreement, in the applicable laws except where the change in applicable laws has an adverse effect on the group of the two companies (as the case may be) in a materially disproportionate manner compared to each other or to other businesses (as the case may be) in the industry in which the two companies operate;

Material Adverse Event	f) Geopolitical conditions, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of the Implementation Agreement, except to the extent that such change, event or development affects the two companies group (as the case may be), in a materially disproportionate manner compared to each other or other businesses in the industry in which the two Companies (as the case may be), operates; g) Any flood, earthquake, the outbreak or escalation of pandemics, or other natural disaster, except to the extent that such events affect the two companies' groups (as the case may be), in a materially disproportionate manner compared to each other or other businesses in the industry in which the Companies, (as the case may be), operate; or h) Any change, event or development to the extent resulting from any action by the two companies groups (as the case may be), that is expressly required to be taken in connection with the Transaction.
Restricted Jurisdiction	Any country or jurisdiction where the offer of, or distribution or publication of this Circular or any other documents related to, the Consideration Shares would violate the laws of, or regulations applicable to, that country or jurisdiction.
SAR	Saudi Arabian Riyals, the official currency of KSA.
Capital Increase	The proposed increase in the capital of Taiba from one billion six hundred four million five hundred seventy four thousand eight hundred thirty (1,604,574,830) Saudi Riyals to two billion, six hundred four million five hundred seventy-four thousand eight hundred thirty (2,604,574,830) Saudi Riyals and the increase in the number of its shares from one hundred sixty million four hundred fifty-seven thousand four hundred eighty-three (160,457,483) ordinary shares to two hundred sixty million four hundred fifty-seven thousand four hundred eighty-three (260,457,483) ordinary shares, which represents an increase of (62.32%) for the current capital of Taiba.
Closing Price	Last trading price for the shares, according to the mechanism set by Saudi Exchange (Tadawul).
Saudization	An initiative by the government that aims to increase the local participation in private sector jobs, and it is supervised by the Ministry of Human Resources and Social Development.
Saudi Exchange (Tadawul)	The Saudi Stock Exchange (Tadawul), which is the market in which securities are traded in the Kingdom and is managed and operated by the Saudi Exchange Company and regulated by the Capital Market Authority. It also means, depending on the context, Saudi Exchange Company, a wholly owned subsidiary of Saudi Tadawul Holding Group, which is responsible for operating the market.
Control	For the purpose of the Merger and Acquisition Regulations; the ability to influence the actions or decisions of another person, whether directly or indirectly (excluding indirect ownership of shares through swap arrangements or through an investment fund whose unit owner have no discretion in its investment decisions), individually or collectively with a person or persons acting in concert, through holding (directly or indirectly) 30% or more of the voting rights in a company. Moreover, "controller" shall be construed accordingly. For other purposes: the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body; "controller" shall be construed accordingly.
Subsidiary	In relation to Taiba or Dur, as applicable, any other company which it controls.
Dur	Dur Hospitality Company, a Saudi listed joint stock company having its head office based in Riyadh, KSA, registered in the Commercial Register under No. (1010010726) dated 06/01/1397H (corresponding to 27/12/1976G) and its share capital is one billion (1,000,000,000) Saudi Riyals.
Companies	Taiba and Dur.
Transaction	Taiba's acquisition of all Dur shares in accordance with Article (26) of the MARs in return for issuing the Consideration Shares to Dur's Shareholders by increasing Taiba's capital from one billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (1,604,574,830) Saudi Riyals to two billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (2,604,574,830) Saudi Riyals.
RETT	A tax imposed on all real estate transactions by sale, with some exceptions and provisions, which is in effect at a rate of (5%) five percent.
VAT	An indirect tax imposed on all goods and services that are bought and sold, with some exceptions and provisions, which is in effect at a rate of (15%) fifteen percent.

Related Party	Means for the purposes of the ROSCOs as follows: 1) Affiliates of, except for the companies fully owned by, the issuer; 2) Substantial Shareholders of the issuer; 3) Directors and senior executives of the issuer; 4) Directors of affiliates of the issuer; 5) Directors and senior executives of substantial shareholders of the issuer; 6) Any relatives of the persons referred to in (1,2,3, or 5) above. Relatives herein mean father, mother, husband, wife, and children; and 7) Any company or entity controlled by a person referred to in (1,2,3,5, or 6) above. Means for the purposes of the MARs, a person who (whether or not acting in concert with Taiba or Dur or any of their subsidiaries) owns or deals directly or indirectly with shares of Taiba or Dur either through a private sale or purchase transaction or offer, or any person (in excess of its normal interests as a shareholder) has interest or potential interest - whether personal, financial or commercial - arising from the acquisition or a related party with both Taiba and Dur. The definition, provided that this does not conflict with the general application of this definition, includes, but is not limited to, the following: 1) Any person(s) who has provided financial assistance (except what the bank does in the context of usual operation) to Taiba or Dur. 2) The board members of Taiba and Dur (or any of their subsidiaries). 3) Any person owning 20% of Taiba and Dur (whether individually or by acting in concert with others); 4) Substantial Shareholders in Taiba who at the same time are board members in Dur, or vice versa.
“Offeror” or “Taiba”	Taiba Investments Company, a listed joint stock company in the Kingdom of Saudi Arabia headquartered in Madinah, registered under the Commercial Registration No. 4650012403 dated 10/04/1409H and has a share capital of one billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (1,604,574,830) Saudi riyals.
Offer	The offer from Taiba to Dur Shareholders for the purpose of acquisition of all Dur’s shares in exchange of Consideration Shares to be issued to Dur Shareholders in Taiba pursuant to Article (26) of the MARs.
Acquisition Resolutions	Resolutions in relation to the Transaction, which will be presented to Taiba and Dur shareholders, as follows: **With respect to Taiba:** approval of acquisition of all Dur’s shares through Taiba’s issuance of one hundred million (100,000,000) shares; **one (1) share** in Taiba for each share in Dur according to the terms and conditions of the Implementation Agreement, including approval of the following matters related to the Transaction: a) Approval of the provisions of the Implementation Agreement entered between Taiba and Dur dated 17/09/1444H (corresponding to 08/04/2023G). b) Approval of the increase of Taiba’s capital from one billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (1,604,574,830) Saudi Riyals to two billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (2,604,574,830) Saudi Riyals according to terms and conditions of the Implementation Agreement; this increase shall be effective on the date of Transaction Completion as per the Companies Law and the Implementation Agreement. c) Approval of the proposed amendments to Taiba’s bylaws in the form set out in Annex (1) of this Circular, with effect from the Date of Transaction Completion. d) The authorization of Taiba’s Board of Directors, or any person authorized by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions. **With respect to Dur:** approval of the offer presented by Taiba to Dur’s shareholders to acquire all Dur’s shares in consideration of issuance of one hundred million (100,000,000) shares in Taiba for Dur’s shareholders and as a result, Dur will become an unlisted joint stock company wholly owned by Taiba according to the relevant legal requirements and the terms and conditions of the Implementation Agreement including approval of the following matters related to the Transaction: a) Approval of the provisions of the Implementation Agreement entered between Taiba and Dur dated 17/09/1444H (corresponding to 08/04/2023G). b) The authorization of Dur’s Board of Directors, or any person authorized by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions.
Relative	Husband, wife and minor children.
Listing Rules	The Listing Rules issued by the Board of the Capital Market Authority pursuant to Resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G) and recently amended by the CMA Board Resolution No. (1-108-2022) dated 23/03/1444H (corresponding to 19/10/2022G).
ROSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the board of CMA pursuant to its resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G) as amended by the board of CMA pursuant to its resolution No. (8-5-2023), dated 25/06/1444H (corresponding to 18/01/2023G).

"MARs" or "Merger and Acquisition Regulations"	The Merger and Acquisition Regulations issued by the board of CMA pursuant to its resolution No. (1-50-2007), dated 21/09/1428H (corresponding to 3/10/2007G), amended by Resolution No. (08-05-2023), dated 25/06/1444H (corresponding to 18/01/2023G).
Non-Binding MoU	The non-binding memorandum of understanding entered into between Taiba and Dur dated 23/05/1444H (corresponding to 17/12/2022G) in relation to the Transaction.
Substantial Shareholder	A shareholder owning five percent (5%) or more of the shares in Taiba or Dur, as the case may be.
Financial Advisor	J. P. Morgan Saudi Arabia.
Financial Statements	The audited financial statements of Taiba or Dur, as applicable, for the financial years ended 31 December 2020G, 2021G, and 2022G.
Offer Document	The document prepared by Taiba pursuant to Article (38) of the Merger and Acquisition Regulations in relation to the Offer made by Taiba to Dur's Shareholders
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and versions issued by the Saudi Organization for Chartered and Professional Accountants..
Exchange Ratio	It is the basis on which the number of Consideration Shares owed to Dur shareholders will be determined in relation to the Transaction, which will result in one Taiba share for every Dur Share owned by such shareholders.
KSA or the Kingdom or Saudi Arabia	Kingdom of Saudi Arabia.
Companies Law	The Saudi Arabian Companies Law issued pursuant to Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30 June 2022G).
Labor Law	Labor Law issued by Royal Decree No. (M/51) dated 23/08/1426H (corresponding to 27/09/2005G) and its amendments.
MOT	The Ministry of Tourism of Saudi Arabia.
CMA or the Authority	The Capital Market Authority of Saudi Arabia.
Ministry of Municipal and Rural Affairs and Housing	The Ministry of Municipal and Rural Affairs and Housing of Saudi Arabia.
Ministry of Human Resources and Social Development (MHRSD)	The Ministry of Human Resources and Social Development in Saudi Arabia.
Zakat, Tax and Customs Authority (ZATCA)	The Zakat, Tax and Customs Authority of Saudi Arabia
GAC	The General Authority for Competition of Saudi Arabia.
MOC	The Ministry of Commerce of Saudi Arabia
Saudi Organization for Chartered and Professional Accountants (SOCPA)	Saudi Organization for Chartered and Professional Accountants in the Kingdom of Saudi Arabia (SOCPA) (formerly named the Saudi Organization for Certified Public Accountants).
Acting in Concert	For the purposes of the Rules on the Offer of Securities and Continuing Obligations, actively co-operating, pursuant to an agreement or understanding (whether formal or informal) between persons, to acquire interest in or exercise voting right in the shares or in the convertible debt instruments of Taiba. For the purposes of other regulations, it means, at the sole discretion of the CMA, actively cooperating, pursuant to an agreement (whether binding or non-binding) or an understanding (whether formal or informal) between persons, to be controllers (whether directly or indirectly, excluding indirect ownership of shares through swap agreements or through an investment fund whose unit owner have no discretion in its investment decisions) of a company, through the acquisition by any of them (through direct or indirect ownership) of voting shares in that company. Moreover, "concert parties" shall be construed accordingly. Without prejudice to the general application of this definition, the following persons, shall be presumed to be acting in concert with other persons of the same class unless the contrary is established, including but not be limited to: 1) Members of the same group; 2) a person's relatives; 3) Person(s) who provided financial assistance to the offer or (Taiba) or its group members (other than a bank in the ordinary course of business) in order to purchase shares that carry voting rights or convertible debt instruments
Business Day	Any day, other than a Friday, Saturday or a public holiday in KSA.

1. Risk Factors

In deciding whether to vote for or against the Acquisition Resolutions, Taiba Shareholders should carefully read the risk factors contained in this Section, in addition to all the other sections of this Circular and the information set out herein. The risks defined below do not include all the risks related to the Transaction. Additional risks, other than those provided herein, not presently known to Taiba board, or which Taiba board currently considers to be immaterial as on the date of this Circular, may also have an adverse effect on the Transaction or Dur.

The risk factors below focus on the risk factors related to the Transaction, the issuance of new shares and those related to Dur and the sector where it operates. The directors of Taiba further acknowledge that, to the best of their knowledge and belief, there are no material risks other than those mentioned in this section relating to the Transaction and the issuance of new shares and Dur and which non-disclosure materially affects the shareholders' decisions to vote on the Acquisition Resolutions.

Based on the above, the risk factors below do not include the risk factors related to Taiba before or after the Transaction or other factors that may affect Taiba, sector or market away from the Transaction. If the risks outlined in this Section materialize, they will negatively impact the ability to achieve the expected benefits of the Transaction. They will also have an adverse effect on the operations, financial position, results, cash flows, future prospects, and share profitability of Taiba, which will fully own Dur, following the Transaction Completion. If any risks other than those mentioned below materialize (either because Taiba's Board of Directors does not know about them or does not consider them material at the time) this may have an adverse effect on the potential to achieve the expected benefits of the Transaction and may also have an adverse effect on Taiba's activity, financial position, results, cash flows, future prospects and profitability of shares following the Transaction Completion.

The risk factors below relating to Dur are based on the information submitted by Dur to Taiba. Neither Taiba directors, management, employees, or advisers have verified the accuracy and adequacy of such information independently. Therefore, the risk factors outlined below will not include any factors related to matters or information that are not provided by Dur to Taiba and shall not be read as inclusive of all potential risks related to Dur and the sector where it operates.

Any Taiba Shareholder in doubt about the content of this Circular, or in relation to the Transaction or the voting in favor of or against the Acquisition Resolutions, should consult an independent financial adviser authorized by the CMA.

The order in which the risks are listed under this Section below is not intended to reflect their significance, likely occurrence, or expected impact.

1.1 Risks related to the Transaction and issuance of New Shares

1.1.1 Risks related to the Impact of Transaction Announcement on the Companies' Business

On 03/11/1442H (corresponding to 13/06/2021G), Taiba and Dur announced start of the initial discussions for the merger of both companies, based on which the two companies decided to start the necessary professional due diligence studies and negotiate the merger and exchange the information. On 10/08/1443H (corresponding to 13/03/2022G), the two companies announced the termination of the initial discussions. On 24/05/1444H (corresponding to 18/12/2022G), Taiba and Dur announced that they have returned to the discussion table to consider a potential transaction. The two companies signed a non-binding memorandum of understanding on 23/05/1444G (corresponding to 17/12/2022G) on a potential securities exchange transaction. On 18/09/1444H (corresponding to 09/04/2023G), Taiba made an announcement confirming the signing of the Implementation Agreement and its firm intention to proceed with the Transaction and making an offer to Dur's shareholders in this respect.

These announcements may have or may have had (whether or not the Transaction is completed) an effect on the business and share prices of Taiba and Dur for several reasons, including, but not limited to, the shift of management's focus in Taiba and Dur from management of the two companies' business to the Transaction Completion and the potential negative impact on the Companies' operations or services provided to customers, the service level or authorized the ability of Taiba and Dur to retain key employees and managers or to hire new employees and managers who develop concerns about instability or fear of job loss after the Transaction Completion. It may also affect the Companies' relationships with their contractors due to their expectations relating to the Transaction and how it will impact their existing business with the Companies, as well as the proliferation of rumors and expectations among investors and speculators in relation to the Transaction and the speculation of shares or other factors.

Therefore, if the Companies are unable to deal with these matters effectively, this would lead to an adverse impact on the business, financial position, results of operations, and future prospects of the Companies and the profitability of Taiba's shares after the Transaction Completion.

1.1.2 Risks related to satisfying the Transaction Conditions

The Transaction is conditional on a number of conditions as summarized under Section (5.2.2) ("***Approvals Required for Transaction Completion***") and Section (5.2.5.1) ("***Implementation Agreement Terms and Conditions***"). Failure to satisfy any of the conditions or the delay in satisfying such conditions will result in the Transaction not being completed or being delayed. The most important condition which has not yet been satisfied is obtaining approval of the Companies' EGMs, and the other material terms and conditions of the Implementation Agreement which the Companies shall comply with until the date of Transaction Completion, as summarized under Section(5.2.5) ("***Summary of the Implementation Agreement***"), including not breaching any of the warranties provided or the restrictions on business conduct and other conditions set out in the said section.

Any delay in the Transaction Completion due to a failure of satisfying the Transaction's conditions may diminish and/or delay the anticipated benefits or may result in additional transaction costs or other unexpected losses associated with the delay of the Transaction. This would have an adverse effect on the business, financial position, results of operations, and future prospects of the Companies and on Taiba's profitability of shares after Transaction Completion.

1.1.3 Risks related to non-realizing the benefits anticipated from the Transaction

One of the main objectives of Transaction Completion by Taiba is to realize several benefits. For more details about the Transaction Rationale please refer to Section (3.2) ("***Transaction Rationale***"). The ability of the Companies to realize these benefits, in the event of Transaction Completion, depends on several factors, including, but not limited to, obtaining the approvals required to carry out any necessary actions to realize the benefits of the Transaction and to avoid any delays or difficulties related to realizing them. It also depends on overcoming difficulties in implementing cost-saving plans wholly or partially. Realization of such benefits depends on other factors beyond the control of the Companies including unforeseeable events such as major changes in the regulatory or operational environment where both Taiba and Dur operate, changes in real estate market and sector, commercial, political, and economic situation in general in the KSA and the ability of Taiba to motivate and retain employees after the Transaction Completion. Therefore, Taiba may not be able, after the Transaction Completion, to realize anticipated financial benefits and growth opportunities or the timing of this realization may be affected.

In addition to the above, the projected benefits and savings from the Transaction are based on preliminary estimates at a date prior to this Circular. Such estimates shall not be updated before the Transaction EGM. Consequently, the projected benefits and savings may not be realized due to the change in the bases and assumptions giving rise to, or the inaccuracy of, the preliminary estimates. Taiba, its directors, executive management or any other person shall not accept any responsibility for the results arising from such preliminary estimates. There is no intention to update the projected benefits and savings of the Transaction or other future projections in this Circular unless this is required under the relevant laws and regulations.

If the projected benefits of the Transaction are not realized in such period, at such value or in such manner as projected, or are not realized at all, this would lead to an adverse effect on the Companies' business, financial position, results of operations, and future prospects and the profitability of Taiba shares following the Transaction Completion.

1.1.4 Risks related to Integration of the Companies after the Transaction

Successful Transaction Completion and achievement of the desired benefits require successful operational integration between the Companies after the Transaction Completion. This will require a clear process and qualified teams to ensure smooth integration between all the human and financial elements of the Companies. The integration of Companies' business and achieving operational integration in different procedures, processes, programs, etc., require several actions and concerted efforts which may not be possible given the difference in work process and methods applied by the Companies and the possibility that all the proactive plans related to integration are not complete or that a final plan has not been developed in this regard in addition to other factors.

If Taiba is unable to deal with the business integration and management processes effectively, Taiba's business and productivity may be affected after the Transaction Completion which would lead to failure to achieve the projected benefits and would affect Taiba's business, profits, costs, net income, assets and liabilities, future expectations and the consolidated financial results and operation results after the Transaction Completion.

1.1.5 Risks relating to the Transaction Costs

Both Taiba and Dur will incur fixed and unrecoverable costs in relation to the Transaction. Taiba's costs related to the Transaction are estimated at about SAR 24 million. These expenses include the fees of the Financial Advisor, the Legal Advisor, the Financial Due Diligence Advisor, the Market Adviser, and other advisors, in addition to the fees due to government entities, marketing expenses, printing and distribution costs and other costs related to the Transaction. These costs do not include internal costs in relation to overtime or internal administrative costs. Accordingly, if the Transaction is not completed, Taiba will incur some or all of these costs without return, which may affect Taiba's financial results.

In addition to these costs, Taiba expects to incur one-time costs in the event of the Transaction Completion, in order to be able to consolidate the companies' businesses and achieve the desired benefits from the Transaction. These costs may be high and substantial, resulting in a decrease in the benefits expected from the Transaction. This will, in turn, have an adverse effect on the companies' business and financial position, results of their operations and future forecasts, as well as the profitability of Taiba's shares after the Transaction Completion.

1.1.6 Risks related to the Transaction Exchange Ratio

Taiba will issue the Consideration Shares to Dur's shareholders, in the event of the Transaction Completion, based on a fixed Exchange Ratio of one (1) Taiba share per every one (1) share they held in Dur. The Exchange Ratio was determined based on a set of principles, forecasts and assumptions in a period of time prior to this Circular, which includes - but not limited to - the price of the companies' shares, their financial information, valuation of the companies, financial forecasts and assumptions about the companies' performance and plans after the Transaction Completion, the benefits expected from the Transactions and other factors and assumptions, at discretion of the management of companies in consultation with their financial advisors. The Exchange Ratio was determined on the assumption that all the information relied upon by the management of the companies is correct and accurate and on the basis that the relevant assumptions are met within the expected period and method. For more details on the Exchange Ratio, please see Section (3-8) ("***Valuation of Dur***").

The correctness and fairness of the Exchange Ratio depend on various factors and assumptions which cannot be predicted accurately or with certainty, and some of them may be beyond the control of Taiba, now or in the future. In case any information, assumptions, and forecasts which were relied upon in determination of the Exchange Ratio are incorrect or incomplete, or if any other unexpected factors occur, including a change in the financial position of either company, or material information about Dur was not obtained by Taiba during professional due diligence studies, or there is a significant change between the share price of the companies during the period between determining the Exchange Ratio until the Transaction Completion (as a result of market price fluctuations, or how the business of the companies is managed, or the Transaction Completion is delayed for any reason, or due to a change in the operational performance of the companies), or in case political or economic or regulatory changes occur and such other reasons which might affect the business of the companies and the price of their shares; this may result in a material effect on the valuation of the companies. This may mean that the agreed Exchange Ratio may not reflect the fair value of the companies at the Transaction EGM or upon the Transaction Completion.

1.1.7 Risks related to the Financial Advisor's independent advice

On 15/09/1444H (corresponding to 06/04/2023G), Taiba's board obtained independent advice from Taiba's Financial Advisor (J.P. Morgan Saudi Arabia) regarding the financial fairness of the Exchange Ratio for Taiba as on the opinion submission date, based on the factors, assumptions and limitations described in the opinion (for further information about the opinion submitted, please see the opinion which is attached in Appendix (2) to this Circular). Taiba has not obtained updated advice from the Financial Advisor since the date of the Implementation Agreement, and does not intend to do so. The factors and assumptions on which the opinion was based, as on the submission date thereof, are subject to change. As such, there is no guarantee that the Financial Advisor will have the same opinion regarding the fairness of the Exchange Ratio on the date of Transaction EGM or upon the Transaction Completion. Accordingly, the shareholder must take this risk and possibility into consideration upon making his investment decision regarding the Transaction.

1.1.8 Risks related to forward-looking statements

This Circular contains certain forward-looking statements. Such forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "will", "believe", "aim", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. These statements and disclosures include, but are not limited to, known and unknown risks and some uncertainties that might affect the results of Dur, Taiba, or the Transaction, and statements related to the financial position of Taiba and Dur, their business strategy, future plans and objectives, expected benefits of the Transaction, other future events, and other information and statements.

Future events are not actually foreseeable and may differ from what is found in this circular, as the performance of Taiba and Dur (including after the Transaction) and their ability to develop, work and achieve their goals and strategies determine their actual results, which Taiba cannot know, and may relate to matters beyond Taiba's control. The inaccuracy of these future forecasts is one of the risks that shareholders and investors should consider, and shareholders should read these expectations and statements in light of this and not rely on them. If the actual results of Taiba or Dur (including after the Transaction) and future events differ from these expectations and statements, this may adversely affect the business of the two companies, their financial position, the results of their operations, their future expectations, and the profitability of Taiba shares after the Transaction Completion.

1.1.9 Risks related to relying on information not included in this Circular

Some media outlets may cover financial and economic information and analysis regarding Taiba, Dur and the Transaction, which may not include many relevant information and risks contained in this Circular. Shareholders should not rely on such sources. These or other sources may make statements that are not directly attributable, or which might be inaccurately attributed to Taiba's directors, officers, or employees, or they may include incorrect reports on statements made or might be made by Taiba's directors, officers or employees. These sources may include misleading statements due to omission of information provided by Taiba, or its directors, officers, or employees. Taiba's Board has not authorized any person to provide information or statements on behalf of Taiba, except as disclosed in this Circular. Taiba's directors, officers, employees, or advisors shall assume no responsibility for the accuracy and completeness of any information or statements issued by third parties.

Therefore, shareholders should rely only on the information contained in this circular upon making any decision regarding voting on the Acquisition Resolutions. In case of any doubt about the Transaction, shareholders must obtain special advice from an independent financial advisor licensed by the CMA.

1.1.10 Risks related to employees and the impact of the Transaction on them

The post-Transaction success of Taiba largely depends on its ability to attract and retain highly qualified employees in the company's various departments, in light of the high competition and demand for these employees. Taiba cannot guarantee its ability to retain the current key employees working for Taiba and Dur, especially those on whom the companies rely in defining and implementing their strategies and managing their business, since the retention of such employees is subject to a number of factors such as the prevailing conditions in the market and the value of compensation and bonuses offered by competing companies to these employees. A large number of employees may unexpectedly leave their positions and at close intervals as a result of the Transaction. This may cause various risks. Most importantly, Taiba or Dur's business may be disrupted or delayed, or they may be required to make significant end-of-service payments, bonuses and cash in lieu of deferred vacations. This may have an adverse effect on their cash flow. The companies may have to incur additional costs after the Transaction Completion in order to attract other employees. The delay in attracting replacement employees may affect their business, which will have a material adverse effect on the business of Taiba, its financial position, results of operations and future expectations.

1.1.11 Risks related to Dur's disclosure of all material information during professional due diligence

In the course of negotiations on the Transaction, and for the purpose of determining the Exchange Ratio and evaluating the legal, financial and commercial aspects of the Transaction, Taiba and its advisors conducted professional legal, financial and tax studies about Dur and some of its subsidiaries, which Taiba considered to be substantial subsidiaries. Taiba conducted negotiations and agreed on the Exchange Ratio based on the due diligence and based on the expected benefits (please see Section 3.2 ("***Transaction Rationale***") for further details) and other matters (please see Section 3.8) ("***Valuation of Dur***") for more details on the valuation).

There could be operational, legal, or financial risks related to Dur's business, assets, or liabilities that Dur has not disclosed; the information disclosed might be inaccurate or not up to date; or there might be risks which were not identified, anticipated, or considered by Taiba or its advisors during the professional due diligence studies. Taiba cannot anticipate the same or assess its significance and the consequences of its occurrence on the date of this circular. In addition, there might be material information and risks related to Dur subsidiaries which Taiba has not conducted any professional due diligence on.

Accordingly, if those risks or information, which might not have been disclosed or which might not have been checked by Taiba, materialize, then an adverse and material effect may be caused on the business of Dur and Taiba, their financial position and results after the Transaction Completion. Accordingly, the shareholders must take this into account when evaluating and voting on the Transaction.

1.1.12 Risks related to tax and Zakat dues arising from the Transaction

Tax or zakat obligations might be incurred by Taiba's shareholders as a result of the Transaction, taking into account any tax or zakat exceptions or exemptions. The obligations to which the companies or their shareholders may be subject to might include disclosing the Transaction to the relevant tax and zakat authorities inside or outside the KSA, or the payment of any tax or zakat obligations which may arise as a result of the Transaction. Due to the change of zakat and tax laws from time to time, Taiba's shareholders may, after the Transaction Completion, be exposed to an increase in zakat and taxes imposed on them due to the promulgation of new zakat or tax laws, the amendment of existing laws and regulations or zakat and tax practices or interpretations announced or unannounced by ZATCA or the competent tax authorities outside the KSA. In case shareholders have any doubts regarding tax and zakat risks, they must consult a tax advisor licensed by the relevant authorities.

1.1.13 Risks related to post-Completion goodwill impairment

The accounting procedures of the Transaction will be subject to the business combination requirements in accordance with IFRS3, so that Taiba is considered to be an acquirer and Dur is an acquiree. Under these accounting requirements, the acquirer (i.e. Taiba) shall evaluate the assets and liabilities of Dur at a fair value, as on the date of Transaction Completion, and calculate the difference between the fair value and any acquired intangible assets resulting from the purchase price allocation and adjustments to the non-controlling interests, if any, and the purchase amount as goodwill or gains arising from the Transaction (referred to as the purchase price allocation).

Taiba will have a period of twelve months after the Transaction Completion to finalize the purchase price allocation in accordance with IFRS3.

The purchase amount will represent the Consideration Shares that will be due to Dur's shareholders based on the closing price of Taiba's share as on the last trading day preceding the date of Transaction Completion. Accordingly, in case there is a material change to Taiba's share price by the date of Transaction Completion, this may have an impact on the calculation of the value of goodwill compared to its value based on Taiba's share price as on the publication date of this circular, i.e. the value of goodwill will substantially increase if there is a substantial increase in Taiba's share price (taking into consideration the purchase price allocation).

If the purchase allocation process results in a goodwill value, such value might be impaired at any time in the future if the expected cash flows (permanently) – after deducting the capital cost – are less than the total assets and operating liabilities for each cash-generating unit. If this occurs, it will affect the financial position of Taiba as well as its share price.

1.1.14 Risks related to the current and past trading patterns of Taiba's shares and trading depending on the past performance of Taiba's or Dur's shares

The past performance of the shares of Taiba and Dur is independent and differs from the post-Completion share performance (and may not be similar to it). It should also be noted that the post-Completion shareholder base of Taiba will differ from its pre-Completion shareholder base. This will result in a difference in the trading patterns of shares compared to the pre-Completion trading patterns. Accordingly, the post-Completion performance of Taiba's share may not be similar to the past performance or the performance of Dur's share and such performance cannot be anticipated. This may affect the share price and the value of shareholders' investment.

1.1.15 Risks related to the decrease in Taiba's share price as a result of the Transaction

In addition to the fluctuations or decrease in the price for reasons other than the Transaction, Taiba's share price may decrease after the Transaction Completion for several reasons related to the Transaction, including – but not limited to – the failure on the part of Taiba to achieve the expected benefits of the Transaction during the period or to the extent expected by investors, financial analysts, or Taiba's Board, or the fact that the post-Completion financial impact of the Transaction on Taiba may not match the forecasts of investors, financial analysts, or Taiba's Board, or other factors. There is no guarantee that Taiba's shares will increase as a result of the Transaction. These factors may have an adverse effect on the post-Completion trading price of Taiba's shares, regardless of the actual performance of Taiba.

1.1.16 Risks related to the fluctuations of Taiba's share price

The announcement of the Transaction, the investors becoming aware of it, the method of managing the companies and their business, the delayed Transaction Completion for any reason, a change in share trading patterns by investors due to the Transaction or other reasons which affect the share price, may increase fluctuation of the share price of Taiba and Dur until the Transaction Completion. Taiba's share price at the time when the Transaction is completed may significantly differ from its price at the publication date of this circular. This will affect the market value of Taiba, and the shareholders' investments in its shares.

1.1.17 Risks related to selling a large number of shares and issuing new shares

Nothing requires Taiba's Substantial Shareholders or other shareholders, after the Transaction Completion, to not sell their shares. Accordingly, the Substantial Shareholders of Taiba or other shareholders may sell a large number of shares they hold in Taiba after the Transaction Completion. In case a large number of Taiba shares are sold, or the market perceives that such a sale may happen, this will constitute a high supply that may not be matched by a similar demand in quantity. The market value of the shares will decrease as a result.

1.1.18 Risks related to the company's ability to distribute dividends

The amount of profits to be realized or distributed, (if any), by Taiba, after the Transaction Completion, cannot be determined. Taiba may not be able to distribute dividends, and the Board may not recommend the payment of dividends or the shareholders may not agree on the payment for any reason. In addition, there is no guarantee that Taiba's shareholders can, after the Transaction Completion, receive or will be entitled to dividends equal to the dividends previously distributed by Taiba or Dur.

The business and revenues of Taiba, its financial position, and its debt ratio after the Transaction Completion may be affected by a number of factors which are beyond the control of Taiba, including, but not limited to, the operational, financial, and economic factors and market conditions, which greatly affect Taiba's profits, revenues, and distributable reserves. In addition, the dividends which might reach Taiba from Dur after the Transaction Completion may also be impacted by several factors, including operational, financial, and economic factors, market conditions, restrictions imposed on Dur in accordance with financing agreements and credit facilities, and other restrictions that may affect Dur's ability to distribute dividends to Taiba after the Transaction Completion. All these factors may in turn affect Taiba's ability to distribute dividends to shareholders.

The future distribution of dividends will depend on several factors, including, but not limited to, the company's future profits, financial position, cash flows, working capital requirements, capital expenditures, distributable reserves, and others. Taiba may incur expenses or liabilities that would consume some or all of the cash available for dividend distribution. If Taiba fails to pay a dividend, the shareholders will receive no ROI on shares unless they sell the shares at a price higher than the price at which they bought the share.

1.2 Risks related to the change in ownership of existing shareholders and the decrease in voting power and control by Dur shareholders

1.2.1 Risks related to the decrease in the ownership percentage of Taiba's shareholders and the subsequent decrease in voting power

Upon the Transaction Completion, Taiba will issue the Consideration Shares to Dur's Shareholders according to the agreed Exchange Ratio (which is one (1) share in Taiba for every (1) share they hold in Dur). As a result, the Transaction will lead to a decrease in the ownership percentage of Taiba's existing shareholders (without taking into account their shareholding in Dur, if any) to (61.6%) of Taiba's share capital after the Transaction Completion, while the ownership percentage of Dur's shareholders, without taking into account their shareholding in Taiba (if any) in Taiba after the Transaction Completion will be (38.4%). In addition, the Transaction will result in the entry of the current non-Saudi shareholders of Dur into the shareholders base of Taiba, and their ownership will reach (1.92%) of Taiba's capital after Transaction Completion as of the end of trading on 16/03/1445H (corresponding to 01/10/2023G).

Accordingly, the post-Completion ownership percentage of the current Taiba's shareholders will be less than their current shareholding, leading in turn to a decrease in their voting power. This will, in turn, have an adverse effect on their ability to influence decisions that require the approval of shareholders (including voting on the appointment of directors, approving amendments to the bylaws, approving substantial transactions and other matters which require the shareholders' approval). In addition, a decrease in the ownership percentage will affect their share of the net profits in Taiba after the Transaction Completion.

1.2.2 Risks related to the possible control by Dur's shareholders over Taiba after the Transaction Completion

The Transaction will lead to a decrease in the ownership percentage of Taiba's current shareholders (without taking into account their shareholding in Dur, if any) to (61.6%) of Taiba's share capital after the Transaction Completion, while the ownership percentage of the shareholders of Dur in Taiba (without taking into account their shareholding in Taiba, if any) after the Transaction Completion will be (38.4%). Accordingly, Dur's shareholders will collectively own a controlling interest in Taiba (38.4%) (excluding their ownership in Taiba, if any), which will give them the ability to influence decisions that require the approval of Taiba shareholders (including voting on the appointment of directors, approving amendments to the bylaws, approving material transactions and other matters requiring shareholders' approval).

The Transaction will affect the level of control of substantial shareholders of Taiba in particular. The following table shows the details of direct ownership in Taiba (prior to and after the Transaction Completion) of Taiba's Substantial Shareholders and Dur's Substantial Shareholders and the impact of the Transaction on the level of control exercised by some of such shareholders (either by decrease or increase, due to their shareholding in Dur as well).

Shareholder	Pre-Completion		Post-Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Assila Investment Company	26,845,269	16.730%	53,989,053	20.729%
Mohammed Ibrahim Mohammed Al-Eissa	11,897,114	7.414%	23,898,563	9.176%
Mohammed Saleh Hamza Serafi	12,837,271	8%	12,837,271	4.929%
Al-Salihat Trading and Contracting Holding Company	10,500,000	6.544%	10,500,000	4.031%
Public Investment Fund	5,484,374	3.418%	22,112,832	8.490%
Total	**67,564,028**	**42.11%**	**123,337,719**	**47.36%**

As shown above, the ownership of the Public Investment Fund will increase, as it will become a substantial shareholder in Taiba. In addition, the ownership of Mohammed Saleh Hamza Serafi and Al-Salihat Trading and Contracting Holding Company will be reduced, and they will no longer be substantial shareholders of Taiba. Whereas, Assila Investment Company, and Mr. Mohammed Ibrahim Mohammed Al-Eissa will increase their ownership after the Transaction Completion, and they will remain the largest shareholders of Taiba.

Accordingly, this will affect the ability of these shareholders (namely Assila Investment Company, Mohammed Ibrahim Mohammed Al-Eissa, and the Public Investment Fund) to influence decisions that require the shareholders' approval. The interests of these shareholders may differ from those of other shareholders, and they may direct Taiba's strategy in a different manner than such manner as desired by other shareholders. These approaches may affect Taiba's business, results of operations, financial position, and future forecasts, and subsequently Taiba's share price post-Transaction Completion.

1.3 Legal risks related to Dur

1.3.1 Risks related to handwritten title deeds

In view of Dur's activities, the assets of Dur and its ownership of these assets are among the most significant factors for it, and for its business, activities, financial position, and future prospects. Accordingly, everything that affects the rights of Dur and its ownership of these real estate assets or its ability to dispose of the same will have a material adverse effect on Dur's business, financial position, results of operations and future forecasts, and therefore will have an adverse effect on Taiba after the Transaction Completion.

Dur owns the plots of land owned by it as per title deeds issued by the notary public in the KSA. As of 16/03/1445H (corresponding to 01/10/2023G), Dur and its subsidiaries still have six (6) handwritten title deeds (out of 38 title deeds for Dur and its subsidiaries) related to real estate assets with a book value of approximately (SAR 540,901,822) as of 31 December 2022G (out of SAR 2,322,068,932, which is the total book value of all Dur's real estate assets on the same date) and Dur is in the process of converting them into electronic title deeds. Dur has confirmed there are no disputes over these handwritten title deeds. However, unlike electronic title deeds, handwritten title deeds may result in more disputes than electronic deeds regarding the ownership and the right to dispose of real estate assets owned thereunder due to the possible existence of other title deeds or other unknown owners or rights over the property under other documents not recorded in the title deed and other matters inherent in the nature of property ownership and nature of deeds. In addition, these deeds are subject to loss, destruction, writing, markings, or other matters that may render them void or unenforceable. If any of these risks materialize, Dur may lose such assets and their value, which will have a material adverse effect on Dur's business, financial position, results of operations and future prospects and thus negatively affect Taiba after the Transaction Completion.

1.3.2 Risks related to legal disputes

As of 16/03/1445H (corresponding to 01/10/2023G), Dur is a party to a number of cases, and for more details please see section (5-4) ("***Lawsuits and claims against Dur***"). The total number of lawsuits filed by Dur (as a plaintiff) is (13) cases. The majority of such cases relates to the collection of rents, the eviction of properties, and the late payment of rents, which are usual matters in the course of Dur's business. The total amounts claimed are about (SAR 4,141,891), noting that this amount is approximate since the total amount of claims under these cases may be higher or lower, as some of these cases do not include a specific financial claim amount. It should be noted that Dur did not make any financial provision and did not write off or de-recognize any debts in connection thereof.

In addition, Dur has obtained a number of final judgments or order instruments whose execution procedures have not been finalized, as Dur is still in the process of collecting these amounts. The total amounts due thereunder to Dur are approximately (SAR 66,203,951). It should be noted that Dur did not make any financial provision for these cases and did not write off or de-recognize any debts in connection thereof.

Dur confirmed to Taiba – during the due diligence process – that there is no lawsuit or claim (including any pending or threatened lawsuit) that could have a material effect on the business of Dur and its subsidiaries or its financial position.

Since no provisions are made for the above cases, Dur's loss of any of these cases or judicial disputes will cause a direct financial loss to Dur that may affect its financial performance. Dur may also get involved in other judicial disputes, whether with tenants, contracting parties, or others. Such disputes may relate to substantial amounts. There is no guarantee that the outcome of these disputes will be determined in favor of Dur. Therefore, Dur's loss of any material dispute or its failure to make an accurate provision for the disputed amounts will have a material adverse effect on Dur's business, financial position, results of operations and future prospects. This will have an adverse effect on Taiba after the Transaction Completion.

1.3.3 Risks related to owning plots of land in Diplomatic Quarter (Al Safarat)

Dur owns and has developed substantial real estate assets in the Diplomatic Quarter (which is the headquarters of Dur and the real estate assets for Darraq residential project No.1 and No.2). The book value of these assets amounts to (SAR 192,379,302) as of 31 December 2022G (including the value of land and buildings). These assets represent three out of (25) assets (the total real estate assets of Dur and its subsidiaries), and its revenues represent (8.3%), (7.8%) and (6.7%) of the total revenues of Dur for the fiscal years ending 31 December 2020G, 2021G, and 2022G, respectively. Dur does not have title deeds for any of these assets, and Dur was unable to obtain title deeds for these properties by reason of the fact that they are located within the Diplomatic Quarter. Accordingly, Dur's ownership of these plots of land can only be established in accordance with the provisions of the contracts concluded between Dur and the Royal Commission for Riyadh City (RCRC).

Although Dur confirms that it fully fulfills the provisions of these contracts and thus it is entitled to land ownership thereunder, in the event of a breach of the relevant contracts, Dur may lose ownership of these assets and the costs incurred in developing these assets, and incur additional costs represented in relocation of its business, employees and tenants and incurring additional losses to demolish buildings and others. This will, in turn, have a material adverse effect on Dur's business, financial position, results of operations and future forecasts. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.3.4 Risks related to Dur's assets leased from the RCRC and the General Authority of Civil Aviation (GACA)

Dur has substantial assets in the Diplomatic Quarter located on plots of land rented from the RCRC under lease agreements. These assets are Darraq 3, 4 and 5, Marriott Diplomatic Quarter and Marriott Executive Apartments, representing revenues of (28.3%), (27.2%) and (26.1%) of the total revenues of Dur for the fiscal years ended December 31, 2020G, 2021G and 2022G, respectively.

Due to the nature of the contracting party (i.e., RCRC), these contracts are generally not similar to the leases known in the market and contain preferential terms in favor of the RCRC. For example, the provisions of these contracts include the method of evaluating the properties constructed on the plot of land in the event of termination of the contract, that Dur and its tenants are subject to regulations of the Diplomatic Quarter, which may be interpreted to give the RCRC rights such as terminating tenant contracts, and provisions that may be interpreted as restrictions on the value of profits that Dur can collect. In addition, the contracts concluded with the RCRC grants the RCRC the right to regain possession of these assets in case Dur breaches its obligations under these contracts in consideration of compensation that may not reflect the market or fair value of the assets at the time of regaining possession.

In case the RCRC exercises any of these rights, including changing the contracts with tenants or recovering the property at an unfair price, or alleges that Dur has violated any restrictions contained in the contracts and recovers the profits collected as a result of the violation, or claims damage or termination of the contract, then this will have an adverse effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

In addition to the above, Dur was notified that additional administrative services fees have been imposed, to which Dur has objected. However, no reply was received in respect of the objection. Accordingly, in case Dur's objection is not accepted, a legal dispute may arise from this matter, which may end with Dur being ordered to pay the additional fees. This may have an adverse effect on the financial position of Dur. There is also no guarantee that other resolutions will not be issued in the future imposing similar fees. This may result - in case Dur fails to object or charge the same to the end beneficiaries in full - in an unexpected increase in the cost to Dur, which may have an adverse effect on the financial position of Dur.

In addition, Dur has a lease agreement with GACA in connection with the development and operation of Riyadh Airport Marriott Hotel. Revenues from this hotel represent (5.9%), (7.5%) and (8.2%) of Dur's total revenues for the fiscal years ended 31 December 2020G, 2021G and 2022G, respectively. Due to the nature of the contracting party, (i.e., GACA), this contract is generally not similar to the leases known in the market and contains preferential conditions in favor of the GACA. Some provisions could be interpreted as the right of GACA to terminate the contract for the public benefit. If GACA decides to exercise this right and succeeds, then Dur may have to relocate its business or find a suitable alternative in a short time, or Dur may not be able to collect compensation in the expected manner or in a timely manner. This may cause a direct financial loss to Dur.

Furthermore, Dur may not be able to maintain or renew these contracts under the same terms and conditions, which may result in Dur having to vacate the land and lose the value of the assets that Dur has developed on those properties. All the above risks, if materialized, will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and thus will have an adverse effect on Taiba after the Transaction Completion.

1.3.5 Risks related to approval of the Transaction by the parties contracting with Dur

Dur and its subsidiaries are parties to several contracts, some of which are material and some of which are not material on their own for their business. Some of these contracts contain restrictions or conditions that may be interpreted as requiring approval of the other party or a notification to the other party before Dur completes the Transaction, and Dur has obtained approvals from the other parties that it was able to identify.

If Dur is unable to determine all the contractual approvals required under its substantial agreements, and Dur and Taiba complete the Transaction regardless of this, then Dur may be in breach of its obligations under the related contracts. This breach may result in several matters which differ depending on the terms and conditions of the relevant contracts. The contract may entitle the other party to terminate the contract or claim an amount of compensation or otherwise.

If this happens and Dur is unable to negotiate a waiver from the other party, Dur may not be able to find a suitable third-party replacement in a timely manner or at reasonable cost or even it may not be able to find any replacement at all. This will directly affect Dur's ability to manage some of its facilities or use some trademarks or cause it to breach financing contracts.

The realization of any such risks will have a material adverse effect on Dur's business, financial position, results of operations and future prospects, and thus will have an adverse effect on Taiba after the Transaction Completion.

1.3.6 Risks related to the registration on Ejar platform

Under the Council of Ministers Resolution No. 292 dated 16/05/1438H (corresponding to 13/02/2017G), a lease not registered on the web rental services platform "Ejar" may not be deemed a valid contract which produces its administrative and judicial effects. Leasing is one of the main activities carried out by Dur and its subsidiaries. Dur confirmed that it is in compliance with registering these contracts as on 16/03/1445H (corresponding to 01/10/2023G) except for (106) leases that are subject to special treatment, such as leases associated with foreign embassies, where revenues represent 7% of Dur's total revenues for the fiscal year ended December 31, 2022G).

The failure to register future leases on the platform, or their incomplete or inaccurate registration, may result in the fact that the unregistered lease may not be deemed a valid contract which produces its administrative and judicial effects. This may affect Dur's ability to enforce these contracts before the courts and to claim its rights according to these contracts. This, if it materializes, will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.3.7 Risks related to Dur's compliance with the relevant laws and regulations

Dur is subject to a number of laws, regulations, instructions and decisions which regulate and apply to all companies operating in the KSA and other laws and regulations which regulate the business activities in the industry in which Dur operates. Considering that Dur is subject to many regulatory requirements, any violation of such requirements will expose Dur to procedures and penalties which may be taken against it by the concerned authorities, including financial fines and other penalties that may, in certain cases, lead to the suspension, withdrawal of the relevant license or cessation of business. Accordingly, any breach by Dur of the relevant regulatory requirements will have an adverse effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

After the Transaction Completion, Dur will remain subject to the supervision of a number of government entities in the KSA, including but not limited to: The Ministry of Commerce, the Ministry of Tourism, the Ministry of Municipal, Rural Affairs and Housing, the Royal Commission for Riyadh City, the Civil Defense, and other entities. Therefore, Dur is exposed to risks related to changing laws, regulations, circulars and government policies in the KSA. The regulatory and legislative ecosystem in the KSA is subject to continuous change and development in line with the development of economic and administrative policies and directions. The costs associated with complying with these laws and regulations are also high. If changes are introduced to existing laws and regulations or new laws and regulations are enacted in relation to the regulatory ecosystem in which Dur operates, Dur may be required to make changes to its business and position in order to meet the requirements of these laws and regulations. This may result in Dur incurring additional unexpected financial expenses, whether exceptionally or continuously, or Dur may not manage to adjust its status and it may be in a position contrary to these new regulations. This will have an adverse effect on its business, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

Dur must constantly comply with the laws and regulations related to its business and operations. Accordingly, if Dur fails to comply with these regulations, it will subject to fines or penalties to be imposed by the relevant regulatory authorities, which will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.3.8 Risks related to the new Tourism Law and the Companies Law

The tourism-related legislative ecosystem has evolved recently, as the new Tourism Law was promulgated under Royal Decree No. (M/18) on 26/01/1444H (corresponding to 24/08/2022G). Consequently, ten (10) implementing regulations were issued, including tourist hospitality facilities, travel and tourism services, tourist guidance, tourist hospitality facilities management, tourism consulting, private tourism hospitality facility, experimental activities, inspection of tourism activities, and regulation of committees to consider violations of the Tourism Law, among others. The companies subject to the aforementioned regulations were granted a deadline of ninety (90) days ending on 25/03/2023G to adjust their status in accordance with the new law. The status-adjustment with the new law and the regulations thereof may not be completed, and the law and the regulations thereof may not be applied as required since they are relatively new. In case there is a violation of the law and the regulations thereof, various penalties may be imposed, including fines of up to one million Saudi riyals (SAR 1,000,000) per violation, temporary or permanent closure of the facility, withdrawal of the license, among others. In the event that Dur violates this law and the regulations thereof, and any penalties are imposed on Dur, this may have an adverse effect on Dur's business, financial position, results of operations and future forecasts, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

In addition, like other companies, Dur is subject to the Companies Law. On 01/12/1443H (corresponding to 30/06/2022G), Royal Decree No. (M/132) was issued to amend the Companies Law. The new law entered into force on 19/01/2023. The new law grants companies a deadline of two years from the effective date of the law to adjust their status in accordance with its provisions. The application and interpretation of the new law is subject to the implementing regulations issued by the Minister of Commerce and the Board of the CMA. If Dur and its subsidiaries fail to adjust their status in accordance with the new Companies Law and the new implementing regulations thereof within the statutory deadline, they may be subject to penalties of up to (SAR 5,000,000) per violation under the new Companies Law, depending on the nature of the violation. This may have an adverse effect on Dur's business, financial condition, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.3.9 Risks related to Dur's investments, strategic partnerships and joint ventures

Dur has a number of investments, strategic partnerships and joint ventures, and it may enter into such investments and partnerships in the future to achieve its strategic plans and goals. For more information on Dur's investments and joint ventures, please see Section (3.7.5) ("***Dur's Subsidiaries***").

Although Dur confirms that the constitutional documents related to the joint ventures included guarantees securing Dur's rights in these projects in a manner that achieves its investment objectives, Dur may not have a controlling interest in these investments and partnerships (represented by City Tower Real Estate Company and National Tourism Company), or actual or complete control. As such, Dur may not be able to influence the decisions in the related company.

Dur has not entered into partnership agreements with other partners in some companies, for example, Tabuk Hotels Company Limited (97.14% owned by Dur), Annakheel for Tourist Areas Company Limited (98.73% owned by Dur), Makkah Hotels Company Limited (99.44% owned by Dur), Saudi Hotel Services Company (70% owned by Dur) and Al Sawaed Al Kareemah Company for Investment and Development (95% owned by Dur); resulting in the absence of anything governing the relationship between Dur and these partners, except for the bylaws or articles of association of the subsidiaries (as applicable). Articles of association do not allow the parties to add provisions that govern their entire relationship, and therefore may not cover all events that may arise in the future between the parties. In the event that disputes arise in the future between the partners and are not governed by the bylaws in a way that protects Dur's rights, this may affect Dur's ability to achieve its strategic objectives with regard to these companies. Even if such agreements exist in other companies, there is no guarantee that the partners will not breach their obligations under the agreements concluded with them. This may entail additional costs on Dur or affect its reputation or Dur will not be able to achieve its investment objectives.

The above may affect Dur's ability to make decisions at the level of its subsidiaries in line with Dur's business and strategy. In addition, investments and partnerships require effort and long time from Dur, and there is no guarantee that Dur will achieve the expected returns or that the investment value will not be lost, in whole or in part, due to its depreciation, poor performance, or other factors, thus exposing Dur to a decrease in the value of its assets or revenues. Such risks, if materialized, may have an adverse effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.3.10 Risks related to Dur's subsidiaries under liquidation or in the process of deregistration

Dur has two subsidiaries in the process of liquidation and write-off, namely Al Madina Hotels Company and Saudi Heritage Hospitality Company (Nuzul). For more information about Dur's subsidiaries, please see Section (3.7.5) ("***Dur's Subsidiaries***"). This may expose Dur to several risks, including, but not limited to, Dur incurring unexpected costs and liabilities as a result of the liquidation process, or Dur losing the value of its investment due to its liquidation or failure to complete the liquidation process quickly, which may cause operational consequences and additional costs. There can be no guarantee that Dur will be able to complete the liquidation process in the targeted time and without any additional obstacles or obligations. Accordingly, in case any such risk materializes, this may have an adverse effect on Dur's business, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.3.11 Risks Related to Intellectual Property (IP) Rights

Dur owns a number of trademarks and as part of its strategy, Dur uses, under franchise agreements, other trademarks that are not owned or registered in its name, such as Holiday Inn, Crowne Plaza and Marriott. These IP rights are an integral part of Dur's identity and an important element of its business, as Dur's ability to market its services and develop its business depends on the use of its name, logo and trademarks, which support its services and competitive position and makes it stand out in the market. For more information on the marks, please see Section (3.7.3) ("***Overview of the Brands***").

If a person uses or infringes on Dur's IP rights and Dur does not manage to stop such person, if Dur fails to register and renew all its trademarks and other proprietary rights, or if Dur is unable to protect its IP rights, this may result in an adverse on Dur's ability to retain its customers and attract new customers, and the value of these trademarks or Dur's reputation may be affected. This may result in Dur incurring losses and being involved in lawsuits to protect the trademarks or any of Dur's IP rights. This will have an adverse effect on Dur's business, financial position, results of operations and future forecasts, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.3.12 Risks related to management agreements and franchise agreements

Dur's success, financial position and future prospects largely depend on gaining and maintaining franchise rights through hotel management contracts and franchise contracts to which Dur is a party, in its capacity as the franchisee, hotel owner, or hotel manager and operator. Examples include existing franchise agreements with Holiday Inn Middle East Limited and Global Hospitality, and management agreements with Marriott International Hotels. This reliance is inherent in the hotel and tourism industry.

Revenues from hotel management under franchise contracts represent (20%), (24%) and (20%) of Dur's total revenues for the fiscal years ending 31 December 2020G, 2021G and 2022G, respectively. With regard to revenues from hotels managed by another operator, its revenues amounted to (43%), (37%) and (42%) of the total revenues of Dur for the financial years ending 31 December 2020G, 2021G and 2022G, respectively.

Many factors affect these franchise and management relationships, including - but not limited to - any change in the regulatory environment which might increase restrictions on such arrangements, any change in the regulatory environment that may remove all obstacles, thus opening the market for more investors to compete for such contracts, the existence of professional hotel managers and franchisors on reasonable commercial terms, as well as Dur's ability to comply with the terms and conditions of relevant contracts, or to renew these contracts on commercial terms and other factors that may affect Dur's ability to maintain such commercial relationships and contracts. In case Dur is unable to maintain the current management and franchise contracts or enter into new agreements in accordance with Dur's strategy, this may have an adverse effect on Dur's business, financial position, the results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.3.13 Risks related to white land tax

The Law of White Land Tax was promulgated by Royal Decree No. (M/4) dated 12/2/1437H and entered into force in stages based on area and ownership. Generally, the law levies an annual tax of (2.5%) of the land value on white land, which is any undeveloped land designated for residential or residential-commercial use within urban limits. Dur and its subsidiaries currently own four lands classified as white lands for the purpose of the law of White Land Tax, namely the land of Al-Hada South, the land of Al-Hada Al-Gharbia, the land of Al-Arid, and the land of Al-Ahsa, which has a book value of (120,134,908) Saudi riyals as of December 31, 2022G. In addition, the Ministry of Municipal, Rural Affairs and Housing may classify other lands owned by Dur as white lands or that Dur may purchase lands in the future that are classified as white lands.

The total previous invoices issued to Dur regarding white land tax amounted to (1,327,838) Saudi riyals in the first round paid by Dur, and then an amount of (1,439,695) Saudi riyals in the second round, which Dur objected to and canceled due to the suspension of work on the real estate area. Then, a fee invoice was recently issued on the land of Al-Ahsa in the amount of (192,867.21) that was not paid. Dur confirmed that there are no other currently unpaid invoices.

The value of tax levied in each cycle cannot be specifically determined. Levied taxes may be higher than expected, or tax may be levied on lands that Dur did not consider white lands. Dur may not be able to reverse the taxes it deems incorrect. Therefore, Dur may pay a higher tax than expected and incur losses resulting from seeking to reverse these taxes. In addition, as per the public policy directions, the annual tax rate may be raised to higher levels in the future, which may increase the taxes payable by Dur. The foregoing, if happened, will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.3.14 Risks related to Saudization requirements

Like all companies operating in the KSA, the Ministry of Human Resources and Social Development (MHRSD) requires Dur to employ a specific percentage of Saudi nationals and to Saudize certain positions, in addition to the certain Saudization percentages or the requirement to employ Saudi nationals in certain positions as imposed by other supervisory authorities such as the Ministry of Tourism. According to the MHRSD's Nitaqat program, the Saudization rate achieved by Dur was approximately (47%) as of 31 December 2022G. It is classified in the medium green band. Dur's classification is considered to fall in the last level in the committed bands (after platinum and high green). Therefore, any reduction in the commitment level will result in Dur being classified at the lower level (which is low green), and this will lead to the suspension of a number of services.

Dur may find it difficult to recruit and retain qualified Saudi nationals, from time to time. In case Dur fails to employ a sufficient number of Saudi nationals, if the Saudization rate is decreased, or if more stringent Saudization requirements are imposed in the future and Dur is unable to comply with such requirements, Dur may be subject to fines and other penalties such as suspension of employment visa applications and suspending the transfer of sponsorship of non-Saudi employees. This will, in turn, have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.3.15 Risks related to labor laws and conditions

Dur is subject to the requirements of the labor laws, regulations, and instructions issued by MHRSD, including compliance with the provisions of employment contracts, commitment to register employees in the social insurance schemes, employee health insurance, application of the wage protection system, occupational safety systems, and other related requirements. Failure to comply with the labor regulations and requirements may result in the imposition of penalties which include suspension of services or closure of the facility, imposing fines, or requiring employees to terminate their contracts or the payment of compensation to employees.

In case Dur fails to comply with the Labor Law as well as the regulations, and instructions issued by MHRSD, Dur may be subject to fines and penalties. This will, in turn, have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

Additionally, Dur is exposed to risks related to non-Saudi employees, including an increase in labor fees and employment and residence permit renewal fees, imposition of any restrictions on employing non-Saudi employees, these employees leaving their employment as a result of the high cost of living in the KSA or any restrictions on air traffic movement and entry/exit requirements as well as other factors that will, if it occurs, have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.3.16 Risks related to licenses and permits

Dur is subject to a number of laws and regulations that require Dur to obtain the necessary licenses and permits from the competent regulatory authorities in the KSA in order to carry out its business activities. Dur is required to obtain and maintain appropriate regulatory licenses, permits and approvals in connection with its business activities, including but not limited to the Ministry of Tourism licenses, commercial registry certificates, Chamber of Commerce and Industry membership certificates, Saudization certificates, Zakat certificates, social insurance certificates, necessary permits and approvals from the municipality, civil defense and other licenses in relation to Dur's business activities. As of the date hereof, Dur has confirmed that it has obtained all the necessary licenses, permits and approvals in connection with its business activities.

Such licenses and permits are required to remain valid on an ongoing basis through Dur's compliance with the laws, regulations and conditions governing such licenses and permits. If Dur is unable to obtain all necessary licenses and permits to carry out its business, or if Dur is unable to maintain and renew its license and comply with the laws, regulations, and conditions governing these licenses and permits, then Dur's business may be suspended, it may not obtain certain government services or it may be subject to penalties and violations. This will have a material adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.3.17 Risks related to related party transactions and their documentation

Dur has various transactions with related parties. According to CMA regulations, Dur must disclose these contracts in accordance with the disclosure requirements set out in the relevant regulations. Such contracts must be reviewed by the Audit Committee. Dur's failure to define and identify the related parties or to understand the regulatory ecosystem may have an effect on its obligation to monitor these transactions and ensure that they are reviewed by the Audit Committee and disclosed. This may expose Dur to several risks that include the imposition of penalties by the CMA in addition to not being sure that the terms of these transactions are in the interest of Dur. In case fines are imposed or that these contracts do not serve the best interest of Dur, this will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

As for the related party transactions in accordance with the accounting standards, as shown in Dur's financial statements, the amounts due to related parties are (SAR 37,974,216), (SAR 37,158,747) and (SAR 35,522,175) for the fiscal years ending in 2020G, 2021G and 2022G, respectively.

The amounts due from related parties are (SAR 2,367,809), (SAR 2,638,431) and (SAR 4,442,099) for the fiscal years ending in 2020G, 2021G and 2022G, respectively.

Dur may not be able to renew the contracts concluded with the related parties upon the expiry thereof or renew the contracts on conditions consistent with Dur's objectives, especially after the change in Dur's ownership structure. Also, Dur may not be able to enter into alternative contracts on the same or commercially acceptable terms. Accordingly, in case any agreements with related parties are terminated, or if Dur is unable to renew them on appropriate terms, or find alternative contracts with third parties, this will have an effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.3.18 Risks related to the suspension of works on lands as directed by the regulatory authorities

Real estate assets are subject to city planning and urban planning by the regulatory authorities and disputes over title deeds and other matters that may require the moratorium on development, and the suspension of works on a specific land until the dispute is resolved or an agreement is reached with the regulatory authority on how to make use of the land. This may result in a moratorium on development in relation to some plots of land. As of 16/03/1445H (corresponding to 01/10/2023G), Dur and its subsidiaries have four plots of land on which works are suspended. Such plots of land are Al Aarid land, southern Al Hada land, western Al Hada land, and Laban land, whose combined book value is (SAR 104,078,087) as of 31 December 2022G.

There is no fixed suspension/moratorium end date and Dur cannot determine such date or lift the moratorium. The continuation of these moratoriums, in addition to any further moratoriums, are beyond Dur's control and cannot be anticipated or avoided. They are risks that cannot be pre-planned and avoided due to the nature of Dur's business. These moratoriums, the continuation thereof or the occurrence of other similar events will have a material adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore will have an adverse effect on Taiba after the Transaction Completion.

1.4 Commercial risks related to Dur

1.4.1 Risks related to Dur's debts

Dur's business depends on its ability to obtain credit facilities from third parties to finance its operations. Dur's total debt - which includes only term loans - is approximately (SAR 1,033,905,432) (i.e. approximately (64%) of the total shareholders' equity), (SAR 1,017,271,663) (i.e. approximately (63%) of the total shareholders' equity), and (SAR 1,062,668,575) (i.e. approximately (64%) of the total shareholders' equity), as on 31 December 2020G, 2021G, and 2022G, respectively.

The facilities agreements include several guarantees issued by Dur, the most prominent of which are promissory notes issued with a total value of (SAR1,600,406,953), and the company's guarantees do not include any mortgage on any real estate asset. In addition the facilities agreements include a number of restrictions on its business, such as not disposing of any of the guarantees provided under the facility agreements and not entering into any other obligations which may limit Dur's ability to fulfill its obligations under the facility agreements. In case Dur is unable to pay the amounts due on time or reschedule the payments in the event of its inability to pay, or if it breaches any guarantee, obligation or restriction under the credit facilities agreements, then this will be considered a material breach that may result in entitling the creditor to demand the payment of the full debt amount before its actual due date. It should also be noted that if Dur breaches any of its obligations under any credit facilities agreements, this may automatically result in its violation of some other facilities agreements, and thus entitling creditors thereunder to demand Dur to pay the full debt amount under the facility agreements concluded with them before its actual due date. In case Dur is unable to pay, then these creditors can enforce the guarantees provided to them (such as order instruments). This will have a material adverse effect on Dur's business, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

Moreover, in case Dur is unable to obtain the necessary financing to fulfill its obligations and carry out its business and future projects in accordance with its strategy, or to obtain financing on appropriate terms and conditions, this may have a material adverse effect on Dur's business, financial position, results of operations and future prospects. Therefore, this will have an adverse effect on Taiba after the Transaction Completion.

1.4.2 Risks related Dur's Zakat position

Dur is required to submit its zakat returns to ZATCA on an annual basis. Dur is exposed to the risks of material changes in the laws and regulations which might affect the value of Zakat due or change ZATCA's policies or practices, and Dur might incur additional Zakat dues as a result. This, if it materializes, may have a material adverse effect on Dur's business, operations, financial position, cash flows, and future forecasts. As such, this will have an adverse effect on Taiba after the Transaction Completion.

Dur settled the zakat assessments for the years ended on 31 December 2014G until 2018G, except for 2015G, since ZATCA made a claim to Dur for Zakat differences of (SAR 861,000) for 2015G. Dur objected to the amount of Zakat differences. The First Appeal Committee decided to partially accept the objection and rejected the objections at a value of (SAR 250,000). Dur has objected to this amount and the objection is still under consideration. It should be noted that Dur has set aside a provision for the value of such zakat differences in its financial statements. Accordingly, if Dur's objection is not accepted and Dur is ordered by ZATCA to pay the above amounts in whole or in part, this will affect the company's cash flow.

Dur also received Zakat assessments for the years ended on 31 December 2019G and 2020G, wherein ZATCA requested Dur to pay Zakat differences of (SAR 585,886) for 2019G. Dur objected to the amount of Zakat differences, and the dispute is still under consideration. Dur also settled the zakat assessment for the year ended on 31 December 2020G.

Tabuk Hotels Company Limited also received zakat assessments for the years ended on 31 December 2019G and 2020G. ZATCA demanded that the company pay zakat differences of (SAR 3,682) for 2019G. The company filed an objection to the amount and the objection is still under consideration. Tabuk Hotels Company has also settled the zakat assessment for the year ended on 31 December 2020G.

In addition, Dur submitted its zakat returns for the fiscal year ended on 31 December 2022G, and ZATCA has yet to issue a zakat assessment for that year. As for the years for which the zakat assessment has not finalized, ZATCA may impose or claim zakat differences that exceed such amounts as expected by Dur.

Dur has registered a tax group for VAT purposes in the KSA, which includes several subsidiaries. The rest of subsidiaries which are not part of the tax group independently submit their tax returns. ZATCA issued VAT assessments for Dur's tax group for the months of December 2018G, December 2019G, and December 2020G. Dur's tax group settled these assessments without objection and benefited from the tax relief and did not pay penalties. ZATCA has not issued VAT assessments for any other tax period for Dur's tax group or for the companies affiliated to Dur that are independently registered. Accordingly, ZATCA may issue VAT assessments for previous periods, which may include imposition of additional tax differences.

In case Dur is requested to make payments higher than expected, or if Dur is ordered to pay differences that Dur did not anticipate or in respect of which no provision is made, this may have an adverse effect on Dur's business, financial position, results of operations and future forecasts, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.4.3 Risks related to the geographical concentration of Dur's assets

All Dur's business is located in the KSA, and its assets and business are largely concentrated in the main cities, most importantly, in Riyadh, where the revenues generated from real estate assets located in Riyadh represented about (81.1%), (75.2%), and (78.1%) of Dur's total revenues during 2020G, 2021G, and 2022G, respectively. Accordingly, any deterioration in the economic, regulatory, geographical and weather conditions, epidemics, or other conditions that may occur in the KSA in general, or the city of Riyadh in particular, or in a city where Dur operates, will have a material effect compared to the deterioration itself and compared to other companies having assets distributed inside or outside the KSA. This in turn will have a material adverse effect on Dur's business, financial position, results of operations and future forecasts, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.4.4 Risks related to rental income

Since Dur heavily relies on rental income from hotels, residential and commercial units, any factor that has an adverse effect on the leases concluded or rental income and the collection thereof may have an adverse effect on Dur's business, financial position, results of operations and future prospects. This will have an adverse and material effect on Taiba after the Transaction Completion. Dur heavily relies on hotel revenues, as these revenues represent about (72.6%), (73.6%), and (76.8%) of Dur's total revenues during 2020G, 2021G, and 2022G, respectively. It should be noted that Covid-19 and its consequences on business sectors, especially the hotel industry, had a great impact on hotel revenues during 2020G and 2021G, since hotel revenues decreased by about (26%) during the period between 2019G and 2020G.

The financial position of Dur might be subject to an adverse effect in the future due to a number of economic and other factors, in addition to the strong competition from the owners of other properties by reducing rents or hotel room rates. This may result in - among others - Dur being forced to reduce rents and hotel room rates to maintain competitiveness. The financial position of Dur may also be affected as a result of the failure of some tenants to pay the due rents, and that Dur incurs additional costs to collect these debts or its failure to collect these debts in full and losing their value. This, in turn, will have an adverse effect on Dur's revenues, financial position, results of operations and future prospects, and this will, therefore, have an adverse and material effect on Taiba after the Transaction Completion.

In addition, there is no guarantee that Dur will collect rents on due dates. Any delay or default in payment will have an adverse effect on Dur's cash flow. If this happens, Dur may not be able to find alternative sources to finance its working capital and fulfill its obligations. Dur may be forced to obtain additional financing from commercial banks. As such, Dur will have to incur the costs of obtaining financing, interest costs, etc. This will have an adverse and material effect on Dur's revenues, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

In addition to the above, Dur may not be able to renew leases concluded with tenants on the same or more favorable terms and conditions. In the event of non-renewal, Dur may not be able to conclude leases with new tenants on the same or more favorable terms and conditions. Further, Dur may not be able to quickly vacate the leased premises and sites after the expiry of the relevant leases or due to the tenants' failure to comply with the leases. This may affect Dur's ability to immediately make use of these real estate properties. This will decrease Dur's revenues and have an adverse effect on Dur's business, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.4.5 Risks related to debt collection

The balance of Dur's total account receivables amounted to about (SAR 143,386,661), (SAR 170,475,362) and (SAR 170,428,252) as on 31 December 2020G, 2021G, and 2022G, respectively. The balance of Dur's expected credit loss allowance in respect of debt collection amounted to (SAR 26,445,793), (SAR 25,233,972) and (SAR 29,719,069), as on 31 December, 2020G, 2021G, and 2022G, respectively. As of 31 December 2022G, the total 1 to 3-year account receivables amounted to (SAR 17.2m). The total account receivables that are more than 3 years old amounted to (SAR 34.5m). Dur follows policies regarding credit, collection, and write-off of bad debts in accordance with International Financial Reporting Standards (IFRS) recognized in the KSA and other standards and versions recognized by the Saudi Organization for Chartered and Professional Accountants (SOCPA). In case the current financial position of any of Dur's customers is subject to an adverse effect, this will have an adverse effect on Dur's ability to collect all due account receivables. This will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.4.6 Risks related to the success of new projects

Dur and its subsidiaries study, implement and develop a number of projects, including the development of Rixos Jeddah Resort (formerly: Makarem Al Nakheel Village), the construction of Darraq Alhada Complex, the development of a ballroom at Holiday Inn Tabuk Hotel, the development of Makarem Al Madinah Hotel, and the Smart Zone Hotel Development Project. Dur is considering the expansion of Makarem Ajyad Makkah Hotel. In constructing these or any other new projects, Dur may face a number of risks and obstacles, such as finding new real estate properties in prime locations at competitive prices, concluding relevant contracts with appropriate contractual terms, obtaining all necessary regulatory licenses and approvals, and other factors and challenges.

Dur's ability to complete its projects on time and with the required quality largely depends on the parties with whom Dur enters into contracts for the purpose of constructing projects, such as developers, contractors, engineering offices and other consultants and service providers. Therefore, if these parties fail to comply with their obligations in accordance with the contracts concluded, this may affect Dur's ability to complete its projects on time and with the required quality.

Dur decided (after having taken into account the recent economic forecasts for various regions in the KSA, and other projects, and reviewed the economic feasibility of these projects, with the aim of aligning Dur's strategy with the KSA vision) to cancel some scheduled projects. As a result, the entire capitalized costs of these projects, which amounted to (SAR 27.4m) in FY22, were cancelled, which led to a decrease in net income for the same period by the same amount. There is no guarantee that a similar cancellation will not occur in the future if Dur decides not to proceed with any planned projects, as Dur may deem appropriate for the purposes of achieving its strategic objectives in light of the changing market conditions.

In addition, the construction of new projects does not necessarily imply the success of these projects and the generation of profits expected by Dur as per the relevant feasibility studies. The success of the projects depends on a number of factors, including those which fall beyond the control of Dur, such as the political and economic situations in the KSA and the entry of new competitors in the market and other factors mentioned in this Section.

Accordingly, there is no guarantee that Dur will be able to construct new projects with the required quality, or that the construction of new projects will be a success. In case Dur is unable to construct new projects, or in case the new projects are not successful, this will have an adverse effect on Dur's business, financial position, results of operations and future forecasts, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.4.7 Risks related to adequacy of insurance coverage

Dur's operations may be affected by a number of risks and events, including latent errors and defects, workplace accidents, natural disasters, incidents, acts of terrorism, sabotage and war-related events, for which adequate insurance coverage may not be available on commercially reasonable terms. In addition, the severity and frequency of various events such as sudden accidents, other unfortunate incidents, work interruptions or possible damages to Dur's facilities, property and equipment resulting from bad weather, human error, pollution, wars and natural disasters, may lead to Dur's incurring significant losses and having it exposed to various liabilities.

Dur maintains several insurance policies to cover these events. However, there can be no guarantee that the insurance coverage will adequately cover losses resulting from any of these events, or that it will be able to renew the insurance coverage on commercially reasonable terms or at all.

In addition, insurance policies include a number of events that are excluded from coverage, in addition to other restrictions related to coverage that are negotiated with insurers. Dur's ability to obtain the benefits due to it from the relevant insurer depends on the insurer's financial solvency and ability to pay the value of such benefits. Therefore, insurance may not cover all losses that Dur may incur as these losses may exceed the limits of policies or be outside the scope of coverage contained in these policies. In case Dur does not have adequate coverage for any future risks or accidents, this may lead to the loss of its properties, projects and future revenues associated with these projects. Dur may also, in some cases, be exposed to financial obligations in relation to the damaged property. The materialization of any such risk will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.4.8 Risks related to the non-reflection of the book value of Dur's properties and the related market valuation of such properties

Dur's assets are recognized at net book value, which represents the original cost of the assets less the accumulated depreciation, amortization and impairment. In addition, the book value or net book value of the assets in Dur's financial statements does not necessarily reflect their fair market value, as the fair market value could be lower or higher than the recognized book value of the real estate asset.

In addition, Dur annually evaluates its investment assets to test for any potential impairment. In case of any impairment (i.e. the fair value is less than the book value), Dur's auditor must derecognize the difference between the fair value and the book value and recognize such difference as a loss in the financial statements. Even if the evaluation price and book value of any property increases at a certain time, this will not necessarily improve the financial situation until the property is sold and the profit is collected from it. As a result, the unrealized gains by increasing the book value of the property in each evaluation will not necessarily lead to a profit or an increase in Dur's total assets in the financial statements, and this must be taken into consideration when assessing the Acquisition Resolutions.

1.4.9 Risks related to Dur's reliance on third-party booking systems

Dur relies on various third-party booking systems, such as hotel operator's systems, electronic booking companies, and websites, through which customers can make their reservations in various hotels affiliated with Dur. The percentage of reservations from third-party booking systems accounted for (33%) of the total reservations based on Dur's occupied rooms as on 31 December 2022G. And sales through these systems amounted to (19%) of the total sales of Dur for the fiscal year ending December 31, 2022G.

The disruption of reservation systems used by Dur's clients may result in disruption of the reservation service, which will have a direct effect on the number of reservations and available rooms, causing a reduction in revenues. In addition, Dur's failure to invest in such systems may limit the ability to compete with other companies operating in this field. Also, the failure to maintain effective information systems or to choose appropriate systems may lead to an adverse effect on Dur's business. All of these factors may have a material adverse effect on Dur's business, forecasts, financial position, results of operations and future prospects, and therefore will have an adverse effect on Taiba after the Transaction Completion.

1.4.10 Risks related to the reclassification of hotels owned, managed or operated by Dur

Dur owns, manages and operates many hotels which are subject to the supervision of the Ministry of Tourism (MoT). MoT classifies these hotels and grants them classification certificates after obtaining a license to operate tourist accommodation facilities based on the level of service and facilities available to hotels and other factors related to the level of hotels. For more information on these classifications, please see Section (3.7.2) ("***Dur's Business Activities***"). There is no guarantee that Dur Hotels will not be reclassified by MoT to a lower class than its current class. This may have an adverse effect on demand for these hotels, hotel room rates, and licensing and management agreements for some hotels with operators or brand's licensors. All of these factors may have a material adverse effect on Dur's business, forecasts, financial position, results of operations and future prospects, and Moot therefore will have an adverse effect on Taiba after the Transaction Completion.

1.4.11 Risks related to Dur providing services to Umrah pilgrims coming from outside the Kingdom

Dur began to provide services to pilgrims abroad starting from the Hajj season in this year 1444 AH, and intends to provide a number of services to Umrah pilgrims coming from outside the Kingdom. Given the fact that such services are provided during certain seasons, Dur may face a decrease in demand for its services at other times, in addition to various factors which may affect the number of pilgrims, including, but not limited to, the restrictions imposed on the number of pilgrims and worshipers due to widespread epidemics, any restrictions imposed on international travel, accidents and disturbances related to business or travel, increased transportation costs, regulatory changes, wars, or political or civil unrest in the pilgrims' countries of origin. All of these factors may have a material adverse effect on Dur's business, forecasts, financial position, results of operations and future prospects, and therefore will have an adverse effect on Taiba after the Transaction Completion.

1.5 Risks related to the sector in which Dur operates

1.5.1 Risks related to disputes over land ownership

Dur has confirmed that there is no dispute over the ownership of its assets, the assets of its real estate subsidiaries, or the assets of its subsidiaries. However, ownership of real estate properties involves inherent and substantial risks, particularly those related to disputes over ownership, especially in the absence of a definitive central register of landowners. There is no KSA law that provides that title deeds may not be invalidated. As such, the competent judicial authorities may invalidate title deeds based on various grounds, including previous evidence of ownership of the plot of land, let it be new or old, including the existence of a previous issue in transferring the plot of land, even if it was transferred to a bona fide buyer and the transfer is notarized before a notary public. The title deeds may be revoked by the Supreme Court without the presence or participation of the persons or entities that own these plots of land.

Accordingly, Dur may not be able to conclusively and definitively prove its ownership of all plots of land owned by it, therefore the title deeds of any plots of land owned by it may be revoked. In addition, legal disputes may arise in connection with these properties. Such disputes may raise doubts about Dur's entitlement to own and occupy the relevant lands, or may result in Dur losing ownership of the lands owned by it. This will have a material adverse effect on Dur's business, financial position and results of operations and future forecasts. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.5.2 General risks related to the real estate and tourism sector

Dur's performance is exposed to all risks related to investment in the real estate and tourism sectors in the KSA, including negative changes in economic conditions at the regional or global level, local market conditions, the financial situation of property tenants and owners, oversupply, under-demand and competition, changes in relative demand for the types of properties and locations, other emergency events and conditions, the high fluctuation in property prices and revenues, and other factors beyond the control of Dur, which will have - if materialized - an adverse effect on Dur's business, financial position, results of operations and future forecasts. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.5.3 Risks related to the decline in the movement of domestic or international flights

Room rates and hotel occupancy rates are directly impacted by the number of domestic and international flights. This is influenced by several factors, including political, commercial, economic and tourism conditions in the KSA and other countries worldwide, organizational changes, the outbreak of epidemics, travel-related disruptions, increased transportation and fuel costs, and natural disasters. In general, the domestic and international air traffic is not fixed and may be classified as seasonal. These factors would decrease the number of domestic or international visiting passengers. This would result in a decrease in the demand for Dur's hotels, which may have a material adverse effect on Dur's business, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.5.4 Risks related to the demand for hotel rooms and residential and commercial properties in the KSA

All properties owned by Dur are located inside the Kingdom. With the increasing number of real estate projects, including projects under construction, and the availability of other opportunities such as leasing current residences, homes, etc., the number of residential properties, available commercial spaces, and hotel rooms in the KSA may exceed demand for those properties and spaces, which would lead to market saturation. If the market in the KSA becomes saturated or the demand for hotels or residential and commercial properties decreases or falls below its expected level, Dur may be forced to sell its residential units or rent its commercial units or hotel rooms at reduced prices or sell them at a loss, or even Dur may not be able to sell or rent them at all. The economic fluctuations beyond Dur's control, such as access to housing credit, prevailing market interest rates, unemployment rates, wage level, tax rates, and partial or total cancellation of government subsidies, could have an effect on the demand. There is no guarantee that there would be a sufficient demand in the real estate market in the KSA to enable Dur to do so at commercially reasonable prices.

Having regard to the foregoing, any negative change in demand due to the reasons described above, or other reasons, will have an adverse effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.5.5 Risks related to natural disasters

Dur is exposed to adverse effects arising from any natural disasters that may hit geographical areas in which Dur's assets are located, including earthquakes, floods, fires, heavy rains and other natural disasters that cannot be predicted or avoided. The occurrence of such disasters results in several negative and unexpected effects, most importantly including disruption of business or incurring high costs for repair and rehabilitation of assets; reducing, in turn, revenues and raising costs. Accordingly, the occurrence of any natural disasters in the areas where Dur's assets are located will have an adverse effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.5.6 Risks related to the economic, political and security situations

Dur's future performance depends on a number of factors related to the economic conditions in the KSA in general, including – but not limited to – inflation, GDP growth, average per capita income, interest rates and other economic factors. Although the Kingdom continues to implement diversification policies, it still relies on its income from the oil sector to implement its economic plans. Any decline in oil prices may lead to an economic slowdown in the KSA or limit government spending, which will have an effect on the overall economic situation in the KSA. The continued economic growth in the KSA also depends on several other factors, such as continued population growth and government and private sector investments in infrastructure. Accordingly, any negative change or deterioration in the overall financial and economic conditions in the KSA will have an adverse effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

In addition, it is affected by the political and security situation prevailing from time to time in the Kingdom and the region in general, including any sabotage, terrorist or other operations. Accordingly, any deterioration or change in the political and security situation will have an adverse effect on Dur's business, financial position, results of operations and future prospects. In addition, Dur's assets and businesses are exposed to sabotage or terrorist attacks that cannot be predicted or anticipated. This, if it materializes, will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.5.7 Risks related to epidemics and viruses, including Covid-19

The Covid-19 pandemic has increased economic uncertainty and wreaked havoc and volatility on international markets in 2020G and 2021G. Although global markets have begun to recover, the prolonged period of volatility and instability in market conditions could raise financing costs and other costs. The risks of fluctuating exchange rates, investor expectations, and other factors have increased as a result of the changes in the global financial markets since March 2020G. Additionally, governments, including the KSA government, moved quickly to implement strict preventative measures to limit and stop the spread of the virus. These measures included curfews, suspensions of personal attendance in schools and recreational facilities, etc., suspension of visas for tourists, workers, and other individuals, imposition of restrictions on the hours during which economic activities can be conducted, suspension of travel between cities or countries, and other things that had a particular and great effect on the real estate, tourism and hospitality sectors. The economic slowdown resulting from Covid-19 outbreak has a direct effect on the demand for hotel rooms and residential and commercial units; reducing the room rent rates. This, in turn, has an effect on Dur's activities and businesses and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

Although vaccines are available, how and when all the negative effects resulting from this epidemic will come to end cannot be predicted and determined, and the consequential losses that has or will be incurred by Dur cannot be determined and quantified. The above also applies if other infectious diseases break out in the future, or serious public health-threatening disease emerges in the KSA. Any such factors (including outbreaks of infectious diseases in the future) and any future developments that occur regarding this virus, or any other epidemic and pandemic, will have a material adverse effect on Dur's business, financial position, results of operations and future prospects, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.5.8 Risks related to VAT and WHT

On 05/02/1438H (corresponding to 30/01/2017G), the Council of Ministers decided to approve the Unified Agreement for Value Added Tax (VAT) of the Cooperation Council for the Arab States of the Gulf, which entered into force as of 14/04/1439H (corresponding to 01/01/2018G) and the tax rate of (5%) of the sale price shall be added to the other taxes and fees imposed on certain sectors in the KSA. On 17/10/1441H (09/06/2020G), ZATCA's Board of Directors issued the Resolution No. (20-3-2) to increase the VAT rate to (15%) starting from 10/11/1442H (corresponding to 01/07/2020G). The tax is levied on the services provided and received by Dur.

In addition, the tax laws applicable in the KSA require the payment of withholding tax, which is a tax imposed on a non-resident who does not have a permanent establishment in the KSA when he generates income from a source in the KSA. The resident shall be responsible for supplying the withholding tax amount to ZATCA for taxable amounts in the KSA in respect of such non-resident.

There can be no guarantee that these taxes will not be increased, or that other fees or taxes will not be imposed by the government in the future. Therefore, increasing tax rates or imposing new taxes or fees on companies that differ from those currently in effect, will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore will have an adverse effect on Taiba after the Transaction Completion. As for the periods for which the VAT assessment has not finalized, ZATCA may impose or claim differences that exceed such amounts as expected by Dur. In case Dur is requested to make payments higher than expected, or if Dur is ordered to pay differences that Dur did not anticipate or in respect of which no provision is made, this may have an adverse effect on Dur's business, financial position, results of operations and future forecasts, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.5.9 Risks related to RETT

The Real Estate Transaction Tax (RETT) was introduced under Royal Decree No. A/84 dated 14/02/1442H (corresponding to 02/10/2020G). RETT is a tax imposed at the rate of (5%) of the value of any real estate transaction, to be collected at the time when the real estate transaction is registered. RETT is a new tax added to the other taxes and fees imposed on certain sectors in the KSA, and it exempts real estate transactions that take place after the enforcement of the Royal Order from VAT. This tax may therefore be levied on any Dur's real estate asset if it is subject to purchase, sale or transfer of title (or some types of lease).

The relatively new application of RETT lacks clarity in some cases, and companies have to explain the method of application in specific events. However, ZATCA may not agree with the companies' conclusions, which may result from differences in their interpretations. If this happens, companies may incur additional tax fees and costs. Additionally, there might be future increases or changes in RETT or its application. All these matters may have an adverse effect on Dur's business, financial position, results of operations and future forecasts, and this will, therefore, have an adverse effect on Taiba after the Transaction Completion.

1.5.10 Risks related to the prices for electricity, water and other services

The regulatory authorities in the KSA, including the Council of Ministers, the Ministry of Energy, and the Ministry of Environment, Water and Agriculture, periodically review tariffs for basic services, including electricity, water, and fuel. This may result in an unpredictable rise in the prices of these services. Any increase in the tariffs for basic services will raise the operating costs for all companies in general. However, this will have a particular effect on companies operating in the real estate and tourism sectors. Dur may not be able to charge any increase in these expenses to the tenants, which might lead to an increase in Dur's general costs, in addition to incurring additional operational costs. This will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.5.11 Risks related to competition

The tourism and hospitality sector has significant expansion opportunities and stimulating environment, including government promotion of tourism, general policies to increase tourist numbers, support from the Ministry of Tourism and the Tourism Development Fund, and other direct and indirect support. This may attract more companies to enter and invest in this sector. Also, companies in the same line of business as Dur can conduct mergers and acquisitions. This will lead to an increase in their market shares and intensifying competition among companies operating in the tourism sector. Moreover, there is competition from companies offering alternative or new services, such as applications for home rental services or rental of third-party property. This constitutes an additional competition factor which adds more pressure on the profit margins that tourism and hospitality companies can generate.

The above may cause Dur to enter into competition with other companies having more resources at their disposal or enjoying other advantages which are difficult or impossible for Dur to have. Companies having large financial resources or a customer base may be able to outperform Dur in terms of advertising expenditures, attracting key Dur's employees by offering greater financial and incentive rewards than Dur can offer, and allocating more resources to develop their products and expand their scope of work.

Competition may hinder Dur's ability to increase or maintain its profit margins, as other companies seek to gain business through lower prices and other customer incentives. As such, intense competition in Dur's key business areas will limit its ability to implement its growth strategy, increase its customer segments and expand its scope of operations. Dur's profit margins and asset growth rates may decrease, which will have an adverse effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.5.12 Risks related to expropriation

The KSA Government and some government entities in the KSA are entitled to expropriate properties for public benefit (for example, but not limited to, for the construction of roads and public facilities). In case of expropriation, the dispossession takes place after a notice period that is not specified in the law, because its approval shall be based on a special law. Although the compensation may be paid, there is a risk that the amount of compensation will be insufficient compared to the size of the investment, the loss of profit, or increase in the investment value, since the compensation amount may be less than the market value of the property at the time of dispossession or the value paid upon purchase. The expropriation of any Dur's properties, if it occurs, will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.5.13 Risks related to the nature of realization or disposal of real estate assets

Real estate properties are considered highly non-liquid assets. Therefore, Dur may not be able to realize its real estate assets or sell its projects under construction on time and at the ideal price. Therefore, if Dur is unable to dispose of its real estate assets on time, this may significantly affect the desired return on the project or realized asset. This will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

1.5.14 Risks related to construction, contractors and other parties

Dur's business depends on the correctness and safety of the design, construction and maintenance of its facilities, in addition to its ability to complete the construction of its future projects which are currently underway. Any defects or errors in the design or construction of the facilities, including any defects in materials used, design, safety standards, etc., may affect the operational performance of such facilities. Dur may incur additional repair costs in order to repair these facilities, or it may incur financial and legal obligations due to injuries to any tenant or visitor to its facilities, in addition to the consequential reputation damage. This will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

Construction works involve various risks that may affect progress and quality. Such risks include, for example, delay or inability to obtain any or all of the licenses, permits and approvals required to carry out zoning, land use, construction, development and occupancy works, unexpected engineering, environmental, or geological issues; defects in design or construction works, failure to complete the projects as per the design specifications, shortages or defects in materials or equipment, labor shortages, increase in the cost of building materials due to rising goods prices, inflation, etc., the contractors' breach of their obligations, including contractors' non-compliance with agreed time schedules, or bad weather conditions, natural disasters, and force majeure events.

Such risks, if materialized, may have an effect on Dur's business, financial position, results of operations and future prospects. As such, this will have an adverse effect on Taiba after the Transaction Completion.

1.5.15 Risks related to IT systems and cyber security

Dur's ability to conduct its business and accurately and effectively control its operations and costs largely depends on its IT network and its strong technical and cyber security systems. IT-related internal and external risks systems such as malware, programming errors, attempts to penetrate Dur's networks, lack of required updates or modifications, data breaches and human error, pose a direct threat to Dur's data and business. There is no guarantee that Dur will be able to address any cyber-attacks. The breaches of IT systems will have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

Dur's technical systems may be exposed to malfunctions due to unexpected force majeure events or cyber-attacks. Such events may cause the loss of important information or the leakage of confidential and sensitive information related to Dur's business or clients. This may have an adverse effect on Dur's business or may expose it to legal liabilities. In addition, Dur may incur significant operational costs and consequences as a result of upgrading its IT systems, or adopting additional measures to protect its data or IT systems. The facilities or systems of Dur or third-party service providers could also be vulnerable to security breaches, cyber-attacks, vandalism, theft, viruses, loss or corruption of data, programming, human error or other similar events. Dur could hardly anticipate any breaches of its information systems, take appropriate preventive measures, or promptly detect and address any threat. Any security breach, cyber terrorism, sabotage, theft, viruses, loss or damage to data, software, or any human errors by any of Dur's employees would have an adverse effect on Dur's business, financial position, results of operations and future prospects, and therefore, will have an adverse effect on Taiba after the Transaction Completion.

2. Information on the Market and Industry where Dur Operates

The information contained in this section has been extracted from the market study report prepared by the market advisor on March 30, 2023G. Market information comprises information of a general nature. This information represents the market advisor's views and is not a guarantee of the nature of the market and the sectors or their future directions and forecasts. This information is provided as at the date of the report and is subject to constant change, and this section will not be updated by the market advisor or others.

Taiba, members of its Board of Directors, its employees and its other advisors have not independently verified the validity of this information and data, and therefore, no commitment or guarantee can be made regarding the accuracy or completeness of this information, and these parties bear no responsibility to the accuracy or completeness of any of the information represented herein.

2.1 Macroeconomic Commentary

In recent years, the Kingdom of Saudi Arabia has seen sustained levels of economic growth which is expected to continue as the economy diversifies from a singular oil-driven powerhouse to a new multi-faceted dynamic economy. This changing dynamic is underwritten by the Saudi Vision 2030 that will help to enable this structural economic shift.

In this report we focus on the economic performance of the Kingdom of Saudi Arabia based on a set of key indicators listed below. While the economy was impacted by the coronavirus pandemic in 2020G, the market has shown resilience in its recovery with some positive trends already appearing in 2021. The economy has further recovered in 2022G.

2.1.1 Gross Domestic Product

Saudi's real GDP declined by 4.1% year-on-year to SAR 2.5 trillion in 2020. It recovered in 2021 with a 3.2% increase year-on-year. Oxford Economics has reported that the GDP for 2022G was SAR 2.9 trillion and is forecast to increase by 2.5% to reach SAR 3.05 trillion in 2023. Oxford Economics expect a GDP growth of 3.2% in 2024, as the economy slowly recovers, and oil demand starts increasing.

2.1.2 Inflation

Saudi inflation rates fluctuated during 2021G because of the increase in the rate of VAT to 15%, which was implemented by the government in July 2020G.

In 2021 Saudi inflation slowed, to a greater extent than initially anticipated, as the base effects from the tripling of VAT in 2020 began to fade. This economic overperformance resulted in Oxford Economics lowering their forecast for 2022G overall to 2.6% (previously 3%). Oxford Economics also then forecast inflation to reach 2.5% in 2023G.

It is also noteworthy to confirm that the Saudi Arabian Riyal (SAR) is pegged to the United States Dollar (USD) at an exchange rate of USD 1 equals SAR 3.75.

2.1.3 Population Growth

Oxford Economics estimated that the total population of Saudi Arabia increased by 2.5% in 2022G to reach around 36.8 million people. It is projected to rise by an annual average rate of 2.4% over the next three years to reach 39.5 million by 2025G, partially driven by increasing life expectancy.

2.1.4 Employment

Oxford Economics estimated that employment in Saudi Arabia increased by 3.5% year-on-year in 2022. This was primarily attributed to a recovery in post pandemic business activity. Employment in Saudi Arabia is expected to recover and grow at an average annual rate of 2.0% over the next three years to reach 14.3 million employed individuals by 2025G. It is expected as part of Vision 2030 that the economic diversification and growth into new sectors will fuel increases in new employment.

2.1.5 Retail Spending

Despite an increase in the overall cost of living in Saudi Arabia, retail spending is expected to recover over the next few years due to improving economic conditions. According to Oxford Economics, following a 7% year-on-year increase in 2021G, retail spending has continued its recovery with a growth of 4% in 2022G and it is projected to continue its recovery in 2023G at 1.4%.

2.1.6 Purchasing Managers' Index (PMI)

Saudi Purchasing Managers' Index (PMI) is a composite indicator designed to give a snapshot of operating conditions in the non-oil private sector. The headline PMI averaged 56 between 2011-2020. It peaked at 62 in September 2014G and fell to a record-low of 42 in March 2020G as the COVID-19 pandemic led to a contraction in economic activity. Despite the PMI dropping to 56.9 in December of 2022 from 58.5 in November of 2022G, our understanding is that there has been an increase in economic activity and employment, since then, indicating improving economic conditions across the Kingdom's non-oil private sector.

2.1.7 Loan and Credit Growth

During Q3 2022, the Saudi Central Bank stated that consumer loan growth slowed down to 9% compared to the same period in 2021G, with total loans amounting to SAR 448 billion. Real estate loans by banks increased by 24% in Q3 2022G, with loans amounting to SAR 662 billion. The growth in residential real estate loans has been primarily driven by the Ministry of Housing's efforts to expand the mortgage market as the government pushes to boost homeownership in-line with Vision 2030.

2.1.8 Saudi Vision 2030

Saudi Vision 2030 aims to diversify the economy away from oil via the development of the private sector, growing SMEs, increasing non-oil related exports and foreign direct investments, etc. Tourism is one of the key industries set up for growth within the Vision. While several investments have already been made, PIF announced further plans to invest into mega-projects, including Qiddiya entertainment city, the Red Sea Tourism Project, Amaala, and the NEOM project. These projects are currently under development.

2.2 Hospitality Market Commentaries

2.2.1 Riyadh Hospitality Market

Riyadh is the capital city of the Kingdom of Saudi Arabia and is at the heart of the long-term government initiative to reshape the economy of the country and reduce its reliance on the oil-related sector.

The current market in Riyadh is focused on the corporate and government sectors resulting in the highest concentration of hotels being located on King Fahd Road and Olaya Street, due to their proximity to the city's Central Business District (CBD). However, a number of key future developments such as KAFD to the north, the Diplomatic Quarter to the west as well as some north-eastern business centres have started favouring less central locations and these are also now proving attractive from a hotel development perspective.

Based on data provided by Smith Travel Research (STR), Riyadh's market performance in 2020G was heavily impacted by the COVID-19 pandemic with a significant decline in Average Daily Rate (ADR) to SAR 544, a decline of 9% compared to 2019G. 2021G ADR performance showed slight signs of recovery from COVID-19 especially in Q4 with an average increase of 19% when compared to Q4 of 2020G. In 2022G however, ADR levels surpassed pre-pandemic levels with the highest ADR achieved in December at SAR 810. This represents a 28% year-on-year increase compared to December 2021G and has been primarily driven by an improving economic, leisure and corporate landscape.

Riyadh hotel supply in 2022G comprised circa 20,700 hotel rooms and serviced apartments, the majority of which is leaning towards the upper-upscale and upscale segments, that represent 56% of the total supply. Midscale hotels amount to 16% of the total supply.

Some of the current supply is aging and is often not aligned with international standards. As such, there remains a substantial market gap for any new quality hotel developments as the older hotels are likely to be phased out, rebranded, and refurbished.

It is estimated that around 4,100 rooms will be added to the current supply in 2023G, bringing the overall total to around 24,800 rooms. We estimate that around 12,100 rooms will enter the market between 2024G and 2030G, of which 25% will belong to the Luxury segment, 21% to the Upper-upscale segment and 35% to the Upscale segment. The remaining rooms are planned for other categories (Midscale and other). In addition, future projects are expected to include a growing share of hotel residences and apartments into their proposed room mix.

2.2.2 Jeddah Hospitality Market

Jeddah is Saudi Arabia's second largest city, located on the west coast adjacent to the Red Sea, and is the Kingdom's primary domestic tourist destination. It is also a major regional centre with many corporate and government offices.

The city benefits from an important and strategic location with its proximity to Makkah acting as a transport hub and conduit city for many pilgrims visiting the Holy city. Jeddah's hotel market is characterised by corporate and leisure/religious pilgrimage demand that is supplemented by significant demand from local government.

Hotel performance is volatile, as occupancy is largely impacted by corporate demand, as well as other factors such as the weather, religious pilgrimage, and public holidays.

ADR levels in Jeddah have not yet surpassed pre-pandemic levels. Historically, ADR in 2020G and 2021G ranged between SAR 500 and 700. It is only since March 2022G, which coincides with Saudi's lifting of all travel bans, that the ADR showed signs of recovery with a year-on-year increase of 19%, when compared with March 2021G. During 2022G, ADR was at its highest from March to October, peaking in July at SAR 928, which coincides with the Hajj period of that year.

We are of the opinion that supply in the city is expected to grow in the coming years as several projects are nearing completion; however, many new projects have been placed on hold or discontinued due to COVID-19, which may result in the overall supply growing less quickly.

The existing stock is concentrated towards the traditional CBD of Jeddah and the more leisure-oriented Corniche. Demand for the leisure segment is expected to grow in line with regional population growth.

The future supply is focused on the north, with some additions in the Southern Corniche materialising through the New Jeddah Downtown Project. More leisure-oriented developments, as well as affordable developments are aiming to capture more transiting pilgrims and are expected to be developed in the strategic nodes of the city.

It is estimated that around 5,900 hotel and serviced apartment rooms will be added to the current hospitality stock in 2023G, bringing Jeddah's overall supply to around 25,400 rooms in 2024G. This room supply is expected to reach 28,900 by 2027G with the addition of around 3,500 rooms consisting of 35% Upper-upscale, 39% Upscale and 11% Midscale. The remaining supply is planned in other categories.

2.2.3 Makkah Hospitality Market

Given its status as Islam's holiest city Makkah is the most important historic city in the Kingdom of Saudi Arabia. It is where the world's Muslim community are encouraged to perform a pilgrimage at least once in their lifetime.

The government recognises the important role that religious tourism can play in diversifying the economy away from oil and it is a crucial component of the Saudi 2030 Vision. The Vision outlines plans to nearly triple the number of pilgrims to 42 million per year by 2030G (including 30 million international visitors).

In Makkah, the major demand generator is the Holy Mosque. The proximity to this holy site is an essential factor for hotel performance as central hotels attract visitors the entire year and generate higher rates. Most of the supply in Makkah is in the central areas of Ibrahim Al Khalil and Ajyad Streets, as well as Al Tayseer and Aziziya districts. Other hubs include Al Naseem and Mahbas al Jenn. Less central hotels experience stronger 'seasonality' and often remain closed outside of the Hajj period.

Makkah's highly seasonal hospitality market was severely impacted by the effects of the COVID-19 pandemic. In 2020G and 2021G, Hajj and Umrah, Makkah's biggest demand generators for hotels in the city, were effectively cancelled.

2022G showed strong levels of recovery with peaks in ADR in April at SAR 1,442 and July at SAR 1,016 respectively corresponding to the Ramadan and Hajj periods of 2022G. According to our research, the total number of hotel and serviced apartment rooms in 2022G stood at approximately 146,000. 73% of this total is comprised of Midscale and Budget accommodation. Low grade 1-star and 2-star pilgrim accommodation represent a shadow supply that is not monitored (exact statistics are not available).

Future supply will be located in the central areas in the Jabal Omar project, the eastern areas of the King Abdulaziz Road Project, Rua Al Haram and further away, the Al Naseem districts. Other projects such as Abraj Kudai to the south are expected to include a large number of rooms. We believe future projects are expected to include a growing share of hotel residences and apartments.

The forecasted increase in supply in the next ten years is extremely large, with supply expected to near 230,000 rooms by 2030G. With the planned increase in demand, we expect continued competition in the market that may limit growth and impact market rates as most hotels try to maintain occupancy.

2.2.4 Madinah Hospitality Market

Madinah is the second Holy City in Saudi Arabia. In the centre of the city stands Al-Masjid Al-Nawabi Mosque (also known as the Haram), that attracts Muslims from across the world as it is the burial location of the Prophet Mohammed. Other sites such as Masjid Al-Quba attract visitors but to a lesser extent.

Religious visitation records strong seasonality patterns with limited demand during the low season, typically periods of the year with lesser religious significance. Although the recent extension of Umrah visas has helped to increase visitation during low seasons, hotels further away from the Haram remain closed during the low season. This trend is expected to continue over the short to medium term.

Hotel market performance was majorly impacted by the global pandemic with a significant drop in ADR compared to previous years. Indeed, at its lowest, ADR reached SAR 309 in May of 2020G, a 48% decrease when compared to the ADR of May 2019. In Q4 2021G, ADR levels started to recover, reaching Q4 2019G levels. This pattern was also witnessed in Q2 and Q3 2022G, where ADR levels surpassed pre-pandemic levels.

According to our research, the total hospitality supply in 2022G reached circa 79,000 rooms. Around 59% of these are within the Budget segment and are likely to be pilgrim accommodation rated 2-star and below, which are operating mainly during Ramadan and Hajj. The existing quality hotel room supply (3-star and above) stands at approximately 32,000 rooms, with Madinah's internationally branded quality hotels being predominantly concentrated within a 400-metre radius of the Haram.

The future supply of rooms is expected to increase by 26,000 by 2027G. We also understand that there could be additional new room supply within proposed developments that could increase this confirmed supply pipeline significantly. Despite the projected increase in religious tourism, in line with the Saudi 2030 Vision, it is likely that the performance of the whole market will be impacted as new hotels compete for market share in the mid to long-term.

2.3 Hospitality Investment Commentary

Most real estate investment transactions in Saudi Arabia are completed by GCC investors as to date the majority of overseas investors have had limited access to transparent and tenable opportunities. Potential interest from non-GCC investors is further reduced by:

- Perceived uncertainty on the regional macroeconomic and geopolitical landscape;
- Lack of suitable, institutional grade product;
- Pricing (bid-ask spread);
- Availability and pricing of debt; and
- Limited transparency.

At this time, we consider there to be a four-tier investment market:

- Tier 1 - Local/GCC private investors;
- Tier 2 - GCC funds;
- Tier 3 - International financial institutions/funds; and
- Tier 4 - Government/quasi government investment funds (GCC).

Based on research provided by market experts, the investors which fall into tiers one and two view GCC and Saudi Arabian based real estate investments significantly more favourably than tier three investors. Tier four investors are typically more engaged on the development and M&A front as opposed to targeting income generating assets.

These general distinctions between the different investment tiers are due to several factors including:

- Familiarity with the local market;
- Investor sentiment and targeted return profile;
- Comparative ease to undertake a real estate transaction;
- Comfort with the risk profile; and
- Lack of ownership restrictions.

Real estate markets in the GCC region are considerably less transparent than in the west and as a result, the details of real estate transactions are generally more difficult to obtain.

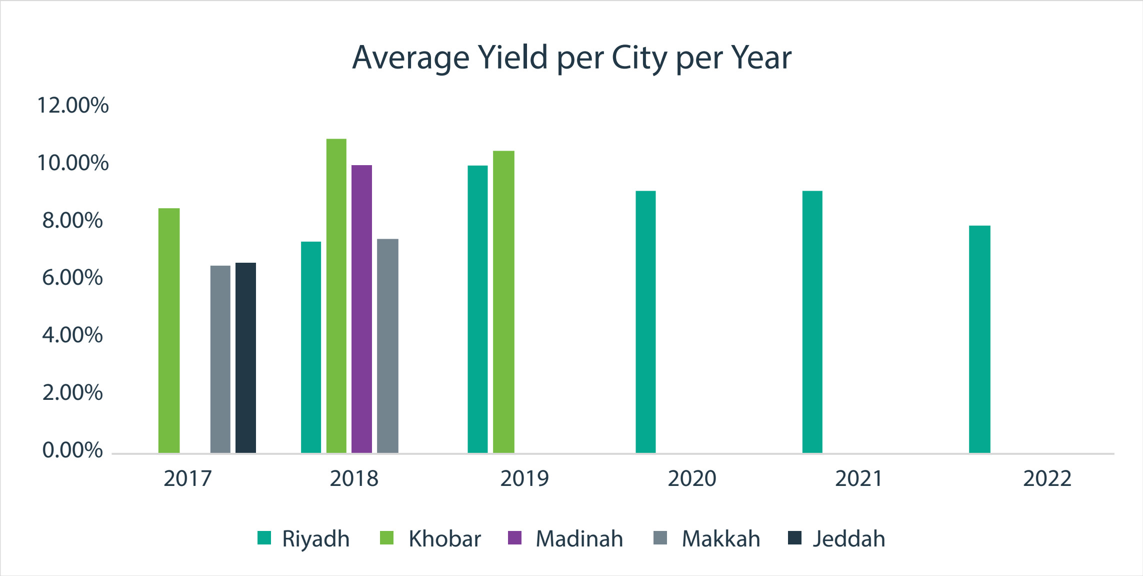
As a specialist class of real estate, hotel and hospitality transactions are even more difficult to obtain data for, as there is even more confidentiality around the operating performance of these assets.

2.3.1 Market Yield Evidence - Hotels

We have summarised in the graph below 20 transactions which we consider reflect the price/yield investors have been willing to pay for hotels in Saudi Arabia.

These transactions include different operating structures such as vacant possession, management encumbered subject to a Hotel Operating Agreement.

The analysed data set represents hotel deals from 2017G-2022G. In general, there has been a decrease in deal momentum since 2020G. Accordingly, the data available for analysis is limited in comparison to previous years.



Source: JLL

2.3.2 Freehold vs Leasehold Interests

Most of the real estate transactions that have completed are based on a freehold interest; however, there are also transactions that have completed based on a leasehold interest. There is anecdotal market evidence to suggest that investors require a risk adjustment for acquiring leasehold property in the order of 200 to 400 basis points from that of a freehold interest. The widespread in this quoted range is primarily driven by the remaining term of the leasehold interest.

2.4 Office, Retail & Residential Market Commentary

2.4.1 Office Market in Riyadh & Jeddah

In 2022G, only 14,200 sq. m. and 25,600 sq. m. of gross leasable area (GLA) was delivered in Riyadh and Jeddah respectively. If built as scheduled, the future supply pipeline for 2023G is relatively healthy, with around 629,000 sq. m. of floor space planned to be completed in the capital and 78,000 sq. m. in Jeddah.

In the final three months of 2022G, the market-wide vacancy rate for Riyadh stood at 2%. The scarcity of Grade A floor space has led to demand spilling over into well-located secondary buildings—some of which are now also registering 100% occupancy rates. The limited availability of good quality office space and robust demand has meant that owners of under-construction projects are seeing success in pre-leasing their space. Good quality offices in Jeddah also experienced robust demand in Q4 2022G, with the market-wide vacancy rate at 7%. Most registered enquiries were for fitted space.

These healthy market fundamentals pushed up average Grade A lease rates in the capital by 16% year-on-year to SAR 1,700 per sq. m. per annum. On the same basis, average Grade A office rents in Jeddah increased by 12% to nearly SAR 1,200 per sq. m. per annum.

Demand is also growing for co-working and serviced offices across Saudi Arabia, with start-ups and other small companies largely driving take-up. Although this segment has historically accounted for a relatively small proportion of overall office stock, its share is increasing as international operators expand their footprints.

2.4.2 Retail Market in Riyadh & Jeddah

Over the course of last year, approximately 78,000 sq. m. of retail GLA was delivered in Riyadh—increasing the capital's total stock to 3.3 million sq. m. Over the same period, Jeddah's retail stock increased by 25,000 sq. m. to 1.8 million sq. m. Assuming no delays, around 729,000 sq. m. of retail floorspace is scheduled to be completed in Riyadh and Jeddah in 2023G, approximately 73% of this being added in Jeddah.

Helped by their growing popularity among a younger demographic, strip retail and smaller shopping centres in the capital have been performing well. Built-to-suit retail schemes leased to large anchors are also beginning to gain traction as they provide owners with steady long-term income and tenants benefit from space which meets their requirements.

The F&B and entertainment segments have been doing particularly well since the easing of COVID-19 restrictions, with some large mall owners reporting that footfall is approaching pre-pandemic levels. Average rents for super-regional and regional malls in Riyadh grew by 2% annually in Q4.

Like Riyadh, F&B and entertainment in Jeddah has been outperforming. Similarly, retailers catering to the wellness segment have been reporting healthy levels of activity. Generally, though, players in Jeddah's retail sector have been more cautious—an exception bring landlords seeking to attract international brands which do not currently have a presence in the country. In Q4 2022G, average rents for super-regional and regional malls in the city were flat when compared to the same period of last year.

In-line with other parts of the region, malls in Saudi Arabia are introducing a number of newer retail concepts and are seeking to broaden the variety of outlets within their properties to attract consumers. Sentiment appears to be improving, with weekly data on points of sale transactions to mid-December suggesting that Q4 2022G will see a healthy annual increase across the two major cities.

2.4.3 Residential Sector in Riyadh & Jeddah

Around 31,300 units were delivered in Riyadh over the course of 2022G, increasing its total stock to around 1.4 million residential units. Over the same period, Jeddah saw the completion of around 8,300 units to bring the city's total inventory to 853,000 units. In 2023G, approximately 32,000 units are scheduled to be completed in the capital and 35,000 in Jeddah. Most of this upcoming supply is coming through master planned projects.

Across Riyadh's residential sector, average prices increased by 4% year-on-year and average rents rose by 1% in the last three months of 2022G. Over the same period, in Jeddah, average prices and rents recorded increases of 4% and 5%, respectively. Positive momentum in residential performance has largely been driven by strong pent-up demand and the government introducing various measures to facilitate homeownership among Saudi nationals. Looking forward, the launch of over 2,000 units in Riyadh by ROSHN in November (after the roll-out and absorption of the first phase of the Sedra project) points to upbeat sentiment in the market. In the long run, demand for residential dwellings is expected to continue to improve in Riyadh as the rising population equates to higher levels of household formation. Looking specifically at apartment units, demand continued to grow strongly in Q4 2022G, with prices registering growth of 8% year-on-year in both cities. On the same basis, rents for apartments grew by 10% in Riyadh and by 3% in Jeddah. Generally, demand for apartments and small units has been rising across Saudi Arabia's two largest cities due to a combination of affordability, an influx of expatriates (as a growing number of international firms establish their presence) and Saudi nationals re-locating from other parts of the country.

3. The Transaction

3.1 Overview of the Transaction

On 03/11/1442H (corresponding to 13/06/2021G), Taiba and Dur announced start of the initial discussions for the merger of both companies, based on which the two companies decided to start the necessary professional due diligence studies and negotiate the merger and exchange the information. On 10/08/1443H (corresponding to 13/03/2022G), the two companies announced the suspension of the initial discussions.

On 24/05/1444H (corresponding to 18/12/2022G), Taiba and Dur announced that they have returned to the discussion table to consider a potential transaction. The two companies signed a memorandum of understanding on 23/05/1444H (corresponding to 17/12/2022G) on a potential securities exchange transaction. Under the memorandum of understanding ("MoU"), both companies agreed that the implementation structure of the potential transaction will be through share exchange offer to be made by Taiba (as the Offeror) to Dur's Shareholders (as the offeree) for acquisition of all Dur's shares. Subject to the results of the professional due diligence studies to be carried out by both companies, Dur's Shareholders would receive one (1) new share in Taiba for every share they own in Dur.

On 18/09/1444H (corresponding to 09/04/2023G), Taiba made an announcement confirming signing the Implementation Agreement and its firm intention to proceed with the Transaction and making an offer to Dur's shareholders in this respect. The Implementation Agreement included all the provisions and steps necessary to implement and complete the Transaction between both companies in accordance with the provisions of Article (26) of the Merger and Acquisition Regulations. For more information on the provisions of the Implementation Agreement, please refer to Section (5.2.5) ("***Summary of the Implementation Agreement***").

Pursuant to the Implementation Agreement, Taiba shall acquire all Dur's shares in consideration of issuance of Consideration Shares to Dur's Shareholders by increasing Taiba's capital according to Article (75) of the Rules on the Offer of Securities and Continuing Obligations and based on the final exchange ratio, whereby Dur's Shareholders will obtain one (1) share in Taiba in consideration for every Dur share they hold. The total Consideration Shares shall be one hundred million (100,000,000) shares fully paid at a nominal value per share of SAR (10) so that the total nominal value of the Consideration Shares shall be SAR 1,000,000,000 (one billion Saudi Riyals). These shares will be issued by way of increasing the share capital of Taiba by (62.32%) from SAR 1,604,574,830 (One billion, six hundred four million, five hundred seventy four thousand, eight hundred thirty Saudi riyals) to 2,604,574,830 (two billion, six hundred four million, five hundred seventy four thousand, eight hundred thirty Saudi riyals) and increasing the number of Taiba's shares from 160,457,483 (one hundred sixty million, four hundred fifty seven thousand, four hundred eighty-three) shares to 260,457,483 (two hundred sixty million, four hundred fifty seven thousand, four hundred eighty-three) shares. Upon the Transaction Completion, the current Taiba's Shareholders will own (61.6%) of Taiba's share capital after the capital increase and Dur's Shareholders will own (38.4%) of Taiba's share capital.

The total Transaction value will be determined according to the value of the Consideration Shares. The total nominal value of the Consideration Shares is one billion (1,000,000,000) Saudi Riyals. The total market value of the Consideration Shares is two billion nine hundred fifty million (2,950,000,000) Saudi Riyals based on the closing price of SAR (29.50) of Taiba's share as on 15/09/1444H (corresponding to 06/04/2023G) (which is the last trading day prior to the Implementation Agreement). The total value of the Consideration Shares (as will be recorded in the financial statements of Taiba) will be determined at a later stage on the basis of the closing price of Taiba's share on the last trading day prior to the date of Transaction Completion.

As the final Exchange Ratio is an integer, Dur's shareholders will have no fractions of shares.

It should be noted that no involuntary staff redundancies are expected as a result of the Transaction.

The following table shows details of ownership in Taiba of each of the Substantial Shareholders of Taiba and Dur and the public prior to and following the Transaction as of 16/03/1445H (corresponding to 01/10/2023G):

Shareholder	Pre-Completion		Post-Completion	
	No. of Shares in Taiba	Shareholding % in Taiba	No. of Shares in Taiba	Shareholding % in Taiba
Assila Investment Company	26,845,269	16.730%	53,989,053	20.729%
Mohammed Ibrahim Mohammed Al-Eissa	11,897,114	7.414%	23,898,563	9.176%
Mohammed Saleh Hamza Serafi	12,837,271	8%	12,837,271	4.929% (4)
Al-Salihat Trading and Contracting Holding Company	10,500,000	6.544%	10,500,000	4.031% (5)
Public Investment Fund	5,484,374	3.418%	22,112,832	8.490% (6)
Members of Taiba's Board of Directors (1)	5,298	0.003%	5,298	0.002%
Taiba's senior executives (2)	N/A	N/A	N/A	N/A
Public (3)	92,888,157	57.890%	137,114,466	52.644%
Total	**160,457,483**	**100%**	**260,457,483**	**100%**

(1) Based on the shares owned directly by Taiba's directors only. For further information about indirect ownership and interest, please refer to Section (3.3) ("***Shareholding of Taiba's Directors***").

(2) Based on the shares owned directly by Taiba's senior executives only.

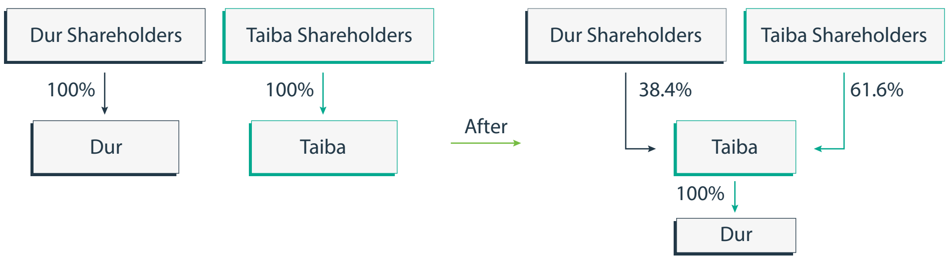
(3) Include all shares owned by non-Substantial Shareholders in Taiba and Dur and the directors and senior executives of Taiba

(4) Mohammed Saleh Hamza Serafi will no longer be a Substantial Shareholder following the Transaction Completion given that his ownership in Taiba will fall below 5%.

(5) Al-Salihat Trading and Contracting Holding Company will no longer be a Substantial Shareholder following the Transaction Completion given that his ownership in Taiba will fall below 5%.

(6) The Public Investment Fund is currently not a Substantial Shareholder in Taiba, however, following the Transaction Completion its ownership in Taiba will increase to above 5%, making it a Substantial Shareholder.

The below diagram is a simplified description of the structure of Transaction:



3.2 Transaction Rationale

This sub-section contains the views of Taiba on the expected benefits resulting from the Transaction. It further contains forward-looking statements, which are subject to risks and uncertainties, and hence reliance should not be placed on such statements. For further information on such risks, see the (“***Important Notice***”) section of this Circular.

Nothing contained in this sub-section is intended to be or shall be deemed to be a forecast, projection or estimate of the future financial or operational performance of Taiba, Dur or the market, and no statement in this Circular should be interpreted to mean that earnings per share for current or future financial periods of Taiba post- Transaction would necessarily match or exceed historical earnings per share of Dur or Taiba shares.

The Transaction is expected to create a leading hospitality company (by number of hotel keys) in Saudi Arabia, with ownership and management of multiple real estate properties in the hospitality and residential space across Saudi Arabia including hotels, serviced apartments, residential properties, retail centres, etc.

The combination of the asset portfolios and the integration of operations is expected to result in an increased scale of operations, improved access to real estate development opportunities, shared benefit of know-hows and expertise in hospitality and property management, leverage and scale up owned brands (particularly Makarem) and strengthen capabilities on account of experience and scale in partnerships with international hotel brands, which could ultimately increase competitive advantage and create a better value proposition to the shareholders. In addition, Taiba post- Transaction is expected to be well positioned to support the Saudi economy and play a proactive role in contributing to achieve Saudi Vision 2030 as well as being a key stakeholder in supporting and delivering Saudi’s National Tourism Strategy. Set out below are the main motives and expected benefits of the Transaction:

- **Scale, coverage, and profile**: The two companies have a combined portfolio of 28 hotels with approximately 5,746 keys, 11 residential properties with approximately 1,519 units, 6 commercial centres spanning approximately 54,695 sqm. and multiple land plots, with a total combined revenue of SAR 898,678,992 and operating profit of SAR 195,145,576 (21.7% operating profit margin) based on the unaudited pro forma condensed consolidated financial information for the year ended 31 December 2022G. Given this magnified footprint, post-transaction, Taiba is expected to become one of the leading players in the hospitality business in the Kingdom.
- **Pan KSA geographic footprint**: The combination of Taiba and Dur will result in a large KSA footprint, expected to enable them after the Transaction to capture demand from all client clusters in key cities such as Riyadh, Makkah, Madinah, and Tabuk which is expected to further cement their brands and profile across the Kingdom.
- **Capabilities**: Post-transaction, Taiba plans to leverage Dur and Taiba’s existing and supplementary capabilities and resources to achieve operational and commercial excellence, as well as deliver best-in-class customer experience. After the Transaction, Taiba will have deep know-how and expertise in:
  - **Hospitality management and operations expertise** that could be leveraged at scale across the combined portfolio, as well as own brand to operate hotels in Makkah and Madinah (Makarem).
  - **Real estate property development expertise**, both in hospitality projects and commercial centres development.
  - **Global partnerships and relationships**, given experience in forming strategic partnerships with major international flags such as IHG Hotels & Resorts and Marriott International.
- **Catalysing delivery of Saudi Vision 2030**: The Transaction can enable Taiba to play a vital role in unlocking opportunities presented by Saudi Vision 2030’s transformational agenda. The scale of Taiba post- Transaction will allow it to be well positioned to tap into key growth areas and become a key stakeholder in supporting and delivering Saudi’s National Tourism Strategy.
- **Revenue Synergy**: After the Transaction, Taiba can leverage geographical complementarity of Dur and Taiba’s asset portfolio across Saudi Arabia. The cumulative know-how of local market across several different cities in Saudi Arabia (including major metropolitan cities like Riyadh and Jeddah, the holy cities of Makkah and Madinah, smaller but upcoming cities like Tabuk and Jubail) is expected to be beneficial to Taiba post- Transaction. Further, Dur and Taiba’s complementary footprint in the holy cities of Makkah and Madinah is expected to increase sale opportunities and joint packages and strengthened market positioning and branding, driving both revenue uplift as well as customer satisfaction, unlocking revenue synergies in near-medium term. Further, revenue synergy upside in medium – long term can be expected from strategy driven value creation levers, with quantum of upside dependent on the strategy of Taiba post- Transaction.
- **Balance Sheet Synergy**: Combining CAPEX spend of the two companies is expected to optimize procurement cost driven by better negotiation with suppliers.
- **Cost Synergy**: The Transaction is expected to lead to efficiency improvements through economies of scale. The Transaction is expected to unlock cost synergies after integration is complete, with significant value creation potential, driven by increased scale, sharing of best practices and annual efficiency gains.

The below illustration shows the properties of both Taiba and Dur as at 31 December 2022G.

Illustration 1: Properties of the Companies

Illustration 1.1: Taiba's Properties (as at 31 December 2022G)

Commercial Centers 5 Centers (GLA 34,695 sqm)		Hotel 6 Hotels (1,883 Keys)	
Owned by Al-Aqeeq (a wholly owned subsidiary) and managed by Taiba	Owned and managed by Taiba	Owned by Al-Aqeeq (a wholly owned subsidiary) and managed by Taiba	Owned by Taiba but Managed by others
4 Centers (19.5 Km²)	One Center (15.2Km²)	4 Hotels (1,506 keys)	2 Hotels (377 keys)
Taiba Suites Commercial center *Madinah*	Deem Plaza, *Riyadh*	Taiba Suites *Madinah*	Dar AlKouther Hotel *Madinah*
Taiba Front Commercial Center *Madinah*		Taiba Front *Madinah*	Madinah Airport Hotel, *Madinah* (Partially owned , 33.33%)
Taiba Madinah Hotel commercial center		Taiba Madinah Hotel	
Al-Aqeeq Madinah Hotel Commercial Center		Al-Aqeeq Madinah Hotel	

Illustration 1.2: Dur's Properties (as at 31 December 2022G)

Hotel / Serviced Apartments (22 Hotels / 3,863 Keys)			Residential (11 Properties / 1,519 units)		Retail (1 property)
Owned(1) and managed by Dur	Owned(1) but not managed by Dur	Managed but not owned by Dur	Owned(1) and managed by Dur	Managed but not owned by Dur	Owned and managed by Dur
9 Hotels (1,566 keys)	5 Hotels (1,042 keys)	8 Hotels (1,255 keys)	6 Properties (1,180 units)	5 Properties (339 keys)	1 property (GLA(4): 20km²)
Makarem Ajyad *Makkah*	Riyadh Marriott *Riyadh*	Makarem Umm Al-Qura - *Makkah*	Darraq Homes(3) *Riyadh*	Dur Al-Andalus *Jeddah*	Awal Plaza *Riyadh*
Holiday Inn & Suites *Tabuk*	Marriott Courtyard DQ(2) - *Riyadh*	Makarem Al-Bait *Makkah*	Dur Al-Wadi *Riyadh*	Dur Al-Rawdah *Jeddah*	
Holiday Inn & Suites *Jubail*	Marriott Hotel DQ(2) *Riyadh*	Makarem Mina *Makkah*	Dur Al-Sharq *Riyadh*	Dur Al-Yasmin *Jeddah*	
Marriott Airport *Riyadh*	Marriott Exec. Apartments *Riyadh*	Makarem Al Shorofat *Makkah*	Dur Twaiq *Riyadh*	Dur Al-Maather *Riyadh*	
Crowne Plaza Riyadh Palace - *Riyadh*	Marriott Exec. Apartments DQ(2) - *Riyadh*	Shada Al-Shatea *Jeddah*	Nakheel Staff Housing - *Jeddah*	Dur Bader *Riyadh*	
Shada Al Salamah *Jeddah*		Dara Al-Rayyan *Riyadh*	Crowne Plaza Staff Housing - *Riyadh*		
Dara Al-Salam *Jeddah*		Dara Alhamra *Jeddah*			
Dara Quraish *Jeddah*		Dara Shafa Abha *Abha*			
Dara Qurtobah - *Riyadh*					

Notes: In 2019G, Dur acquired 60% stake in Nuzul Shada Hospitality Company ("Shada Hospitality")

(1) Includes partial and full ownership and leased properties

(2) DQ - Diplomatic Quarter

(3) Includes 6 properties – Darraq-I, II, III, IV, V-A, and V-B

(4) Represents available rental area for Awal Plaza; total land area is 40,675m²

Source: Dur

3.3 Shareholding of Taiba's Directors

The table below indicates the shareholding of Taiba's directors and the size of their controlling share, if any, in Taiba or Dur as on 16/03/1445H (corresponding to 01/10/2023G):

Name	Position	Role	Representing	Shareholding in Taiba				Shareholding in Dur			
				Direct	Indirect Interest[1]	Total	%	Direct	Indirect Interest [1]	Total	%
Mr. Ibrahim Mohammed Ibrahim Al-Eissa	President	Non-Executive	N/A	1,000	17,047,006[2]	17,048,006	10.62%	N/A	12,001,449[3]	12,001,449	12.001%
Eng. Anas Mohammed Saleh Serafi	Vice President	Non-Executive	N/A	1,000	23,337,271[4]	23,338,271	14.544%	N/A	N/A	N/A	N/A
Mr. Ghassan Yasser Shalabi	Director	Non-Executive	N/A	2,098	40,720[5]	42,818	0.03%	N/A	N/A	N/A	N/A
Mr. Basel Mohammed Bin Jabr	Director	Independent	N/A	100	N/A	100	0.0001%	N/A	N/A	N/A	N/A
Eng. Muhannad Qusai Al Azzawi	Director	independent	N/A	1,000	N/A	1,000	0.0006%	N/A	N/A	N/A	N/A
Mr. Feras Salah-Adin Al-Qurashi	Director	Non-Executive	PIF	N/A	5,484,374[6]	5,484,374	3.418%	N/A	16,628,458[6]	16,628,458	16.628%
Eng. Mohammed Abdulmohsen Al-Qurainis	Director	Independent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Badr Hamoud Al-Badr	Director	Independent	N/A	100	N/A	100	0.0001%	2,429	N/A	2,429	0.0002%
Mr. Eid Faleh Al Shamri	Director	Independent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Taiba

(1) Indirect interest in shares directly owned by: (1) Companies controlled by the director; or (2) The directors relatives: wife, parents and children (3) entity represented by directors.

(2) The ownership of the father of, Taiba board member, Ibrahim Mohammed Al-Eissa in Taiba, which amounts to (11,897,114) shares, in addition to the ownership of his father's endowment amounting to (5,000,000) shares, in addition to the ownership of the mother of, Taiba board member, Ibrahim Mohammed Al-Eissa in Taiba, which amounts to (149,892) shares.

(3) Represents the shareholding of the father of board member Ibrahim Mohammed Al-Eissa in Dur.

(4) The ownership of the father of director Anas Mohammed Saleh Serafi, which amounts to (12,837,271) shares, in addition to the ownership of Al-Salihat Trading and Contracting Holding Company, which amounts to (10,500,000), in which the director indirectly owns (24.5%).

(5) Represents the shareholding of the daughter of board member Ghassan Yasser Shalabi.

(6) Represents the shareholding of PIF, which is represented by director Feras Al-Qurashi.

3.4 Post completion governance of Taiba's Board of Directors

Subject to obtaining the relevant regulatory approvals and approval of the shareholders in both companies, the two companies agreed under the Implementation Agreement to take the necessary steps to modify the formation of Taiba's Board of Directors after the Transaction Completion. Dur will nominate three (3) members, or at least one third of the board members, to be appointed to Taiba's Board of Directors as of the Transaction Completion. Taiba will provide seats for nominees through the resignation of members or any other way as Taiba may deem appropriate. It was also agreed that such appointments shall not breach the requirements of CMA rules and regulations related to the independence of the Board members.

No otherwise planned changes to the governance of Taiba's management have been agreed. These changes shall be effective only on the date of completion of the Transaction. The current board of directors and executive teams of both companies will continue to manage the two companies and act independently.

In addition, the two companies agreed to create a business integration committee to study the business integration plans and make recommendations to Taiba's Board of Directors after the Transaction Completion Steps related to business integration shall be taken only after approval and completion of the Transaction.

3.5 Related Parties and Conflicted Directors

As for the Related Parties, according to the Rules on the Offer of Securities and Continuing Obligations, Dur shall be a Related Party for being controlled by a Substantial Shareholder in Taiba, Mr. Mohammed Ibrahim Mohammed Al-Eissa, who directly owns (12%) and controls Assila Investment Company, which owns (27.14%) of Dur's Shares). There is no party to the Implementation Agreement other than Dur, therefore there are no other Related Parties according to the Rules on the Offer of Securities and Continuing Obligations.

According to the Merger and Acquisition Regulations, each of the following parties are Related Parties: The PIF as a Substantial Shareholder in Dur with a representative in the Board of Directors of Taiba, and Mr. Ibrahim Mohammed Al-Eissa (Chairman of the Board of Directors of Taiba) as a member of the Board of Directors of Taiba and of Assila Investment Company since Assila Investment Company and Dur are under joint control of Mr. Mohammed Ibrahim Mohammed Al-Eissa, and both Mr. Mohammed Ibrahim Mohammed Al-Eissa and Assila Investment Company as they are presumed to act in concert (since they are in the same group as Assila Investment Company is controlled by Mr. Mohammed Ibrahim Mohammed Al-Eissa) and they collectively own more than (20%) in both Taiba and Dur. Those Related Parties can vote on the Acquisition Resolutions only in one EGM of either company according to the MARs and the exemption granted by the CMA (for more details about the exemption, please refer to Section (8) "***Exemptions***").

It is worth noting that a number of directors of Taiba have an interest in the Transaction. Mr. Ibrahim Mohammed Al-Eissa (as he is a board member and a shareholder in Assila Investment Company, which is a substantial shareholder of Dur, and given his parents have an interest in Dur's shares); Mr. Ghassan Yasser Shalabi (as one of his relatives is a board member in Assila Investment Company, which is a substantial shareholder in Dur); Mr. Feras Salah-Adin Al-Qurashi (as he is a representative of the Public Investment Fund (on Taiba's board), which is a substantial shareholder in Dur); Mr. Mohammed Abdulmohsen Al-Qurainis (as he is a senior executive in Assila Investment Company, which is a substantial shareholder in Dur); and Mr. Badr Hamoud Al-Badr (as he owns shares in Dur and was its CEO from 2012G until 2019G) have declared their interest in the Transaction to the board of directors of Taiba and subsequently abstained from voting on the board's resolution to approve the Implementation Agreement.

There are also directors of Dur's board who have an interest in the Transaction. Mr. Bader Bin Abdullah Al Issa (as he is a shareholder of Taiba and the CEO of Assila Investment Company, which is a substantial shareholder in Taiba), Mr. Fahd bin Abdullah Al Issa (as he is a board member of Assila Investment Company, which is a substantial shareholder in Taiba), and Mr. Mishary Bin Najy Al-Ibrahim (as he is a shareholder in Taiba and a representative of PIF on Dur's board; which in turn is a shareholder in Taiba) have declared their interest in the Transaction to Dur's board and subsequently abstained from voting on the board's resolution to approve the Implementation Agreement.

For more details in this regard, please refer to Section 3.5) ("***Related Parties and Conflicted Directors***").

The following table sets out the names and shareholdings of the Related Parties in relation to the Transaction as of 16/03/1445H (corresponding to 01/10/2023G):

Name	Nature of Relationship/ Conflict	Direct Ownership in Taiba		Direct Ownership in Dur	
		No. of Shares	Shareholding %	No. of Shares	Shareholding %
Public Investment Fund	Substantial shareholder in Dur and has a representative on the board of Taiba	5,484,374	3.418%	16,628,458	16.628%
Ibrahim Mohammed Al-Eissa	On the board of Assila and Taiba, and whereas, Assila and Dur are jointly controlled by Mohammed Ibrahim Mohammed Al-Eissa	1,000	0.0006%	N/A	N/A
Mohammed Ibrahim Mohammed Al-Eissa*	Presumed to act in concert (they are in the same group due to control of Mohammed Ibrahim Mohammed Al-Eissa over Assila) since they collectively own 20% or more in Taiba and Dur	11,897,114	7.414%	12,001,449	12.001%
Assila Investment Company		26,845,269	16.730%	27,143,784	27.144%
Total		**44,227,757**	**27.563%**	**55,773,691**	**%55.77**

*Mohammed Al-Eissa has an interest in both Taiba and Dur represented below:

- **In Taiba:** (1) the endowment of Mohammed Ibrahim Al-Eissa which owns (5,000,000) shares, (2) his wife's ownership of (149,892) shares, (3) the ownership of his son Abdulrahman Al-Eissa which amounts to (3,358,340) shares, (4) the ownership of his son Waleed Al-Eissa which amounts to (2,480) shares, (5) the ownership of his son Ibrahim Al-Eissa which amounts to (1,000) shares. These shares represent (5.305%) of the capital of Taiba.
- **In Dur:** (1) the ownership of his son Abdulrahman Al-Eissa amounting to (2,000,000) shares, (2) the ownership of his son Waleed Al-Eissa amounting to (70,000) shares, (3) the ownership of his son Abdullah Al-Eissa (1,449) shares. These shares represent (2.071%) of Dur's capital.

The following table sets out the details of the ownership of the director of Taiba and Dur who are related parties in relation to the Transaction as of 16/03/1445H (corresponding to 01/10/2023G):

Name	Conflict	Shareholding in Taiba				Shareholding in Dur			
		Direct	Indirect Interest[1]	Total	%	Direct	Indirect Interest[1]	Total	%
Taiba Conflicted Directors									
Ibrahim Mohammed Ibrahim Al-Eissa	Member of the Board of Directors and shareholder of Assila Investment Company, one of the major shareholders of Dur. His parents also have an interest in the shares of Dur.	1,000	17,047,006[2]	17,048,006	10.62%	N/A	12,001,449[3]	12,001,449	12.001%
Ghassan Yasser Shalabi	One of his relatives is a member of the Board of Directors of Assila Investment Company, one of the major shareholders of Dur	2,098	40,720[4]	42,818	0.03%	N/A	N/A	N/A	N/A
Feras Salah-Adin Al-Qurashi	A representative of the Public Investment Fund, a major shareholder of Dur	N/A	5,484,374[5]	5,484,374	3.418%	N/A	16,628,458[5]	16,628,458	16.628%
Mohammed Abdulmohsen Al-Qurainis	Senior Executive at Assila Investment Company, one of the major shareholders of Dur	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Badr Hamoud Al-Badr	Owns shares in Dur and was its CEO from 2012G to 2019G	100	N/A	100	0.0001%	2,429	N/A	2,429	0.0002%
Dur Conflicted Directors									
Bader Bin Abdullah Al Issa	Shareholder in Taiba and CEO of Assila Investment Company; a substantial shareholder in Taiba	25	N/A	25	0.00002%	1,485	1,449[6]	2,934	0.0029%
Fahd bin Abdullah Al Issa	Member of the Board of Directors of Assila Investment Company; a substantial shareholder in Taiba	N/A	N/A	N/A	N/A	30	1,449[7]	1,479	0.0014%

Name	Conflict	Shareholding in Taiba				Shareholding in Dur			
		Direct	Indirect Interest(1)	Total	%	Direct	Indirect Interest(1)	Total	%
Mishary Bin Najy Al-Ibrahim	A shareholder in Taiba and a representative of the Public Investment Fund on the Board of Directors of Dur, which in turn is a shareholder in Taiba.	300	5,484,374(8)	5,484,674	3.418%	N/A	16,628,458(8)	16,628,458	16.628%

Source: Taiba and Dur, in relation to Dur's board of directors

(1) Shares in which they have an indirect interest, meaning shares directly owned by: (1) companies controlled by the member, (2) the member's relatives, i.e., his spouse, parents and children, or (3) the entity in which the member represents.

(2) The ownership of the father of, Taiba board member, Ibrahim Mohammed Al-Eissa in Taiba, which amounts to (11,897,114) shares, in addition to the ownership of his father's endowment amounting to (5,000,000) shares, in addition to the ownership of the mother of, Taiba board member, Ibrahim Mohammed Al-Eissa in Taiba, which amounts to (149,892) shares.

(3) Represents the ownership of the member's father, Ibrahim Mohammed Al-Eissa, in Dur.

(4) Represents the ownership of the daughter of director Ghassan bin Yasser Shalaby.

(5) Ownership of the Public Investment Fund, which is represented by Member Firas Al-Qurashi.

(6) Represents the ownership of director Bader Al-Issa's father.

(7) Represents the ownership of director Fahad Al-Issa's father.

(8) Represents the ownership of PIF which is represented by director Mishary Al-Ibrahim.

3.6 Pre-Completion and Post-Completion Shareholding Structure

The following table shows details of ownership in Taiba of each of the Substantial Shareholders of Taiba and Dur and the public prior to and following the Transaction Completion as of 16/03/1445H (corresponding to 01/10/2023G):

Shareholder	Pre-Completion		Post-Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Assila Investment Company	26,845,269	16.730%	53,989,053	20.729%
Mohammed Ibrahim Mohammed Al-Eissa	11,897,114	7.414%	23,898,563	9.176%
Mohammed Saleh Hamza Serafi	12,837,271	8%	12,837,271	4.929%(4)
Al-Salihat Trading and Contracting Holding Company	10,500,000	6.544%	10,500,000	4.031%(5)
Public Investment Fund	5,484,374	3.418%	22,112,832	8.490%(6)
Members of Taiba's Board of Directors(1)	5,298	0.003%	5,298	0.002%
Taiba's senior executives(2)	N/A	N/A	N/A	N/A
Public(3)	92,888,157	57.890%	137,114,466	52.644%
Total	**160,457,483**	**100%**	**260,457,483**	**100%**

(1) Based on the shares owned directly by Taiba's directors only. For further information about indirect ownership and interest, please refer to Section (3.3) ("***Shareholding of Taiba's Directors***").

(2) Based on the shares owned directly by Taiba's top executives only.

(3) Include all shares owned by non-Substantial Shareholders in Taiba and Dur and the directors and top executives of Taiba.

(4) Mohammed Saleh Hamza Serafi will no longer be a Substantial Shareholder following the Transaction Completion given that his ownership in Taiba will fall below 5%.

(5) Al-Salihat Trading and Contracting Holding Company will no longer be a Substantial Shareholder following the Transaction Completion given that his ownership in Taiba will fall below 5%.

(6) The Public Investment Fund is currently not a Substantial Shareholder in Taiba, however, following the Transaction Completion its ownership in Taiba will increase to above 5%, making it a Substantial Shareholder.

3.7 Overview of Dur's Operations

3.7.1 Incorporation and Shareholding Structure

Dur Hospitality Company is a listed joint stock company on the Saudi Exchange (Tadawul). It was incorporated as a Saudi joint stock company registered in the city of Riyadh, where its head office is located, by virtue of Royal Decree No. (M/69) and registered in the Commercial Registry under No. (1010010726) dated 06/01/1397H (corresponding to 27/12/1976G).

Dur directly carries out its activities and through a number of subsidiaries, whose details are mentioned in Section (3.7.5) ("***Dur's Subsidiaries***") below.

Dur's current capital is one billion one billion (1,000,000,000) Saudi Riyals divided into one hundred million (100,000,000) ordinary shares of equal value with nominal value of SAR 10 per share. The below table shows Dur's shareholding as of the date of 16/03/1445H (corresponding to 01/10/2023G):

Name	Number of Shares	Shareholding %
Assila Investment Company	27,143,784	27.144%
Mohammed Ibrahim Mohammed Al-Eissa	12,001,449	12.001%
Public Investment Fund	16,628,458	16.628%
Dur Board Members [1]	6,715	0.007%
Dur Executives[2]	N/A	N/A
Public[3]	44,219,594	44.220%
Total	**100,000,000**	**100%**

Source: Dur

(1) Based on the shares directly owned by the board member in Dur. For more information on the indirect ownership and interest, refer to section (3-7-6) ("Dur's Directors and Executives").

(2) Based on the shares directly owned by substantial shareholders in Dur.

(3) It means all shares except those directly held by the Substantial Shareholders.

3.7.2 Dur's Business Activities

The activities of Dur, under its Articles of Association, are indicated below:

1. Construction, ownership, management, operation, investment, purchase, participation, rental, and lease of hotels, restaurants, motels, rest houses, entertainment centers, travel and tourism agencies, and private beaches of all levels and sizes, in cities, highways and tourist areas.
2. Ownership and purchase of lands, real estates and properties, as well as their development, division and sorting. Construction of residential, commercial and hotel buildings, in addition to their sale, conveyance, or lease, and their utilization by all means and real estate management, for the benefit of the Company or third parties; and performance of the operation and maintenance works.
3. Provision of services to Umrah pilgrims and visitors of the Prophet's Mosque.
4. Conducting all the basic and intermediate works required to carry out, process and initiate the various aspects of the aforementioned business activities, in accordance with the purposes for which they are intended.
5. Achievement of a high-level service, and the services provided in such locations, and their processing in accordance with their degree in a manner approved by Dur's Board of Directors.

According to its commercial register, Dur's business activities are as follows:

1. Management and leasing of owned or leased properties (residential).
2. Management and leasing of owned or leased properties (non-residential).
3. Property management activities for a commission.
4. General construction of residential buildings.
5. General construction of non-residential buildings such as schools, hospitals, hotels, etc.
6. Hotels.
7. Hotel apartments.
8. Holiday home chalets.
9. Restaurants with service.

Dur's activities and properties are concentrated in the KSA. Dur's main activities can be summarized in three (3) main categories of properties and assets, as follows:

First: Properties owned or leased by the Company, and managed by other operators:

1. **Riyadh Marriott Hotel:** A (5) star hotel features (418) rooms and suites. It is located in Riyadh and operated by Marriott International Company.
2. **Courtyard Riyadh Hotel - Diplomatic Quarter:** A (4) star hotel features (286) rooms and suites. It is located in Riyadh and operated by Marriott International Company.
3. **Marriott Executive Apartments:** A (4) star apartment features (118) suites. It is located in Riyadh and operated by Marriott International Company.
4. **Marriott Hotel - Diplomatic Quarter:** A (5) star hotel features (80) rooms. It is located in Riyadh and operated by Marriott International Company.
5. **Marriott Executive Apartments - Diplomatic Quarter:** A (4) star apartments feature (140) executive apartments. It is located in Riyadh and operated by Marriott International Company.

Second: Properties owned or leased by the Company, and managed by Dur or its subsidiaries:

1. **Makarem Ajyad Makkah Hotel**: A (5) star hotel features (411) rooms and suites. It is located in Makkah and operated by Dur under Makarem Brand.
2. **Holiday Inn Tabuk Hotel**: A (4) star hotel features (83) rooms and suites. It is located in Tabuk and operated by Dur.
3. **Riyadh Airport Marriott Hotel**: A (5) star hotel features (339) rooms and suites. It is located in Riyadh and operated by Dur.
4. **Crowne Plaza Riyadh Palace Hotel**: A (4) star hotel features (304) rooms and suites. It is located in Riyadh and operated by Dur.
5. **Holiday Inn Hotel & Suites Al Jubail**: A (4) star hotel features (144) rooms and suites. It is located in Al Jubail and operated by Dur.
6. **Darraq Homes - Diplomatic Quarter**: A residential compound features (434) residential units. It is located in Riyadh and operated by Dur.
7. **Dur Al Wadi Residential Compound**: A residential compound features (66) residential units. It is located in Riyadh and operated by Dur.
8. **Awal Plaza**: A mall having a rentable area of 40,674 m^2 space, and is located in Riyadh, and operated by Dur.
9. **Dur Al Sharq Residential Compound**: A residential compound features (35) villas and (259) rooms. It is located in Riyadh and operated by Dur.
10. **Dur Twaiq Residential Compound**: A residential compound features (485) residential units. It is located in Jeddah and operated by Dur.
11. **Dara Al-Salam**: Serviced apartments which feature (50) apartments. It is located in Jeddah and operated by Nuzul Shada Hospitality Company.
12. **Shada Executive Compound - Al Salamah**: A (3) star hotel featuring (88) hotel rooms. It is located in Jeddah and operated by Nuzul Shada Hospitality Company.
13. **Dara Quraish**: Serviced apartments featuring (28) apartments. It is located in Jeddah and operated by Nuzul Shada Hospitality Company.
14. **Dara Hamra**: Serviced apartments featuring (29) apartments. It is located in Jeddah and operated by Nuzul Shada Hospitality Company.
15. **Dara Qurtubah**: A (3) star hotel featuring (59) hotel rooms. It is located in Riyadh and operated by Nuzul Shada Hospitality Company.

Third: Properties owned by third parties, and managed by Dur or its subsidiaries:

1. **Makarem Umm Al Qura Hotel**: A (5) star hotel features (336) rooms and suites. It is located in Makkah and operated by Dur under Makarem Brand.
2. **Makarem Al-Bait Hotel**: A (4) star hotel features (270) rooms and suites. It is located in Makkah and operated by Dur under Makarem Brand.
3. **Makarem Mina Hotel**: A (4) star hotel features (294) rooms and suites. It is located in Makkah and operated by Dur under Makarem Brand.

4. **Makarem Al Shorofat Hotel**: A (3) star hotel features (104) rooms and suites. It is located in Makkah and operated by Dur under Makarem Brand.
5. **Dur Al-Andalus Compound**: A residential compound features (30) furnished residential villas. It is located in Jeddah and operated by Dur.
6. **Dur Al-Rawdah Compound**: A residential compound features (28) furnished residential villas. It is located in Jeddah and operated by Dur.
7. **Dur Bader Compound**: A residential compound features (40) furnished residential villas. It is located in Riyadh and operated by Dur.
8. **Dur Al Yasmin Compound**: A residential compound features (171) furnished residential units. It is located in Jeddah and operated by Dur.
9. **Dur Al-Maather Compound**: A residential compound features (73) furnished residential villas. It is located in Riyadh and operated by Dur.
10. **Shada Hotel - Al Shatila**: A (3) star hotel featuring (94) hotel rooms. It is located in Jeddah and operated by Nuzul Shada Hospitality Company.
11. **Dara Al Rayan**: Serviced apartments featuring (48) apartments. It is located in Riyadh and operated by Nuzul Shada Hospitality Company.

3.7.3 Overview of the Brands

Dur has a number of franchise agreements or management agreements which are concluded between Dur and its subsidiaries with companies that own international brands. Such agreements grant Dur or its subsidiaries the right to operate and manage a number of internationally branded hotels in the KSA or to transfer their management to operators of these brands. Such brands include Holiday Inn, Crowne Plaza and Marriott.

In addition, Dur owns a number of local brands that it uses for a number of its hotels and properties. Such brands include, for example, "Makarem" for hotels in the Two Holy Mosques," Darraq" for residential compounds, "Dara" for residential apartments, "Shada" for hospitality, among other brands.

3.7.4 Projects under study or implementation

Dur and its subsidiaries study, implement and develop a number of projects, including the development of Rixos Jeddah Resort (formerly: Makarem Al Nakheel Village), the construction of Darraq Alhada Complex, the development of a ballroom at Holiday Inn Tabuk Hotel, the development of Makarem Al Madinah Hotel, and the Smart Area Hotel development project. Dur is currently studying the expansion of Makarem Ajyad Makkah Hotel.

3.7.5 Dur's Subsidiaries

The following table shows a list of companies in which Dur directly or indirectly holds any stakes, shares or ownership rights. It should be noted that all these companies are established and operate in the KSA.

Company Name	Legal form	Shareholding	Main Activity
Sofraa Al Ewaa Hospitality Co	LLC	100%	Provision of hospitality services, construction of hotels, hotel apartments, palaces, and ballrooms.
Jude Alia Maintenance and Operation Company	LLC	100%	Building and Construction
Al-Sarh Al-Aneek Operation and Maintenance Company	LLC	100%	Provision of operation and maintenance services.
Ideal Projects Company	LLC	100%	Management and operation of residential and non-residential properties.
Dur Communities Company	LLC	100%	Management and leasing of owned or leased residential and non-residential properties.
Makkah Hotels Company	LLC	99.44%	Accommodation
Annakheel for Tourist Areas Company	LLC	98.73%	General construction, management and operation of properties and accommodation.
Tabuk Hotels Company	LLC	97.14%	Construction of hotels and the required hotel and service facilities.
Al Sawaed Al Kareemah Investment and Development Company	LLC	95%	Ownership, purchase, management and development of properties, and construction of residential and commercial buildings.

Company Name	Legal form	Shareholding	Main Activity
Saudi Hotels Services Company	LLC	70%	Accommodations management.
Nuzul Shada Hospitality Company	LLC	60%	Accommodation and catering activities and real estate activities.
Smart Zone Hotel Company	LLC	84%	General construction, hotel management and operation.
Madinah Hotels Company*	LLC	50%	Establishment and construction of a hotel compound
Al Madina Tower Real Estate Co	LLC	49%	General construction, management and operation of properties and hotel apartments.
Saudi Heritage Hospitality Company (Nuzul)*	Closed joint stock company	25%	Development of heritage hotels.
National Company for Tourism (Syahya)	LLC	1.67%	Provision of hospitality services.

Source: Dur

* Under write-off or liquidation.

3.7.6 Dur's Directors and Executives

Dur's incumbent Board of Directors consists of nine (9) directors who were appointed by the Extraordinary General Meeting held on 01/05/1443H (corresponding to 05/12/2021G). Dur has an audit committee. Its Board has sub-committees, including the Remuneration and Nomination Committee and Investment Committee. These committees assist the Board of Directors in following up on and reviewing Dur's activities and provide the necessary guidance to the management.

The term of Dur's incumbent Board extends for three years, commencing from 28/05/1443H (corresponding to 01/01/2022G) and ending on 30/06/1446H (corresponding to 31/12/2024G). The below table shows Dur's directors and their positions and membership capacity, the entities represented by the directors, and their ownership in both Dur and Taiba as of 16/03/1445H (corresponding to 01/10/2023G), as follows:

Name	Title	Membership Capacity	Entity Represented	Shareholding in Dur				Shareholding in Taiba			
				Direct	Indirect Interest [1]	Total	%	Direct	Indirect Interest [1]	Total	%
Mr. Badr bin Abdullah Al Issa	Chairman of the Board of Directors	Non-executive	-	1,485	1,449[2]	2,934	0.0029%	25	N/A	25	0.00002%
Mr. Fahd bin Abdullah Al-Qassim	Deputy Chairman of the Board of Directors	Non-executive	-	1,100	N/A	1,100	0.0011%	N/A	N/A	N/A	N/A
Mr. Jihad Bin Abdulrahman Al-Qadi	Director	Independent	-	1,000	N/A	1,000	0.001%	N/A	N/A	N/A	N/A
Mr. Saleh Bin Ali Al-Hathloul	Director	Non-executive	-	1,000	N/A	1,000	0.001%	N/A	N/A	N/A	N/A
Mr. Talal Bin Abdul Mohsen Al-Malafekh	Director	Independent	-	100	N/A	100	0.0001%	N/A	N/A	N/A	N/A
Mr. Faris Bin Ibrahim Al-humaid	Director	Independent	-	1,000	N/A	1,000	0.001%	N/A	N/A	N/A	N/A
Mr. Fahd bin Abdullah Al Issa	Director	Non-executive	-	30	1,449[3]	1,479	1.0014%	N/A	N/A	N/A	N/A
Mishary Bin Najy Al-Ibrahim	Director	Non-executive	Public Investment Fund	N/A	16,628,458[4]	16,628,458	16.628%	300	5,484,374[4]	5,484,674	3.418%
Mr. Abdullah Bin Tarek Al Kasabi	Director	Independent	-	1,000	N/A	1,000	0.001%	N/A	N/A	N/A	N/A

Source: Dur

(1) Indirect interest includes shares directly held by (1) the Director's relatives (spouse, children and parents), or (2) companies controlled by the Director, or (3) the entity represented by the Director.

(2) Represents shares held by the father of Director Badr Al Issa.

(3) Represents shares held by the father of Director Fahd Al Issa.

(4) Represents the ownership of the Public Investment Fund, represented by the board member Mishary Al-Ibrahim

With regard to the senior executives, the following table shows Dur's senior executives and their positions:

Name	Title
Mr. Sultan bin Badr Al-Otaibi	CEO
Mr. Amin Bin Abdullah Al Bukhari	CFO
Mr. Abdulaziz Bin Munir Alkadi	CHRO
Mr. Ahmed bin Mubarak Baharethah	Accounting Management Director and Board Secretary
Mr. Hassan Ahdab	President of Hotel Operation
Mr. Bassam Khalifeh	Vice President - Projects
Mr. Rami Bissat	Vice President - Investment
Mr. Omar Issa	Director of Strategy
Mr. Hamad AlSalman	Director of Marketing & Corporate Communications
Mr. Yasser Taha	Director of Asset Management
Mr. Meshary Al-Mutairi	Director of Property Management
Mr. Ahmed Alosaimi	Director of Facilities Management

Source: Dur

3.7.7 Lawsuits and claims against Dur

As of 16/03/1445H (corresponding to 01/10/2023G), Dur is a party to a number of cases. The total number of lawsuits filed by Dur (as a plaintiff) is (13) cases. The majority of these cases relates to the collection of real rents, the eviction of properties, and the late payment of rents, which are usual matters in the course of Dur's business. The total amounts claimed are about (SAR 4,141,891), noting that this amount is approximate since the total amount of claims under these cases may be higher or lower, as some of these cases do not include a specific financial claim amount. It should be noted that Dur did not make any financial provision and did not write off or derecognize any debts in connection thereof.

Dur recently settled a substantial lawsuit with a local financial institution, challenging the validity of two interest rate swap agreements. Under the settlement agreement, the local financial institution terminated one of the two interest rate swap agreements (the Saudi Riyal contract), and Dur accordingly reimbursed the full amount of profits received as a result of this agreement to the local financial institution amounting to (SAR 3,014,525.78). Dur also paid 70% of the outstanding amount resulting from the other interest rate swap agreement (USD contract), amounting to (USD 7,170,148.38), and the local financial institution bore the remaining 30% of the outstanding amount resulting from the USD contract.

In addition, Dur has obtained a number of final judgments or order instruments whose execution procedures have not been completed, as Dur is still in the process of collecting these amounts. The total amounts due thereunder to Dur are approximately (SAR 66,203,951). It should be noted that Dur did not make any financial provision for these cases, and did not write off or derecognize any debts in connection thereof.

Dur confirmed to Taiba – during the professional due diligence studies – that there is no lawsuit or claim (including any pending or threatened lawsuit) that could have a material effect on the business of Dur and its subsidiaries, or its financial position.

For more information on risks related to legal disputes, please see Section (1.3.2) ("***Risks related to legal disputes***").

Source of information for this Section (3.7) ("***Overview of Dur's Operations***"): Dur.

3.8 Valuation of Dur

The Exchange Ratio (which determines the number of shares that will be issued to Dur shareholders in Taiba as a result of the Transaction) was agreed between Taiba and Dur following detailed commercial negotiations between the companies. In negotiating the Exchange Ratio, Taiba made reference to advice and assistance from its respective advisers and a detailed review of due diligence information on Dur's businesses.

In reaching agreement on the Exchange Ratio, a number of valuation methodologies relating to the Transaction have been considered by Taiba, taking into account the valuation analysis performed by J.P. Morgan Saudi Arabia Company, including the following:

- **Discounted cash flow analysis (DCF)**
  - Discounted cash flows were calculated based on certain internal financial analyses and projections for Taiba and certain financial analyses and projections for Dur, as prepared by Taiba and Dur respective management teams.

  - These cash flows are discounted using an appropriate discount rate to offset the risk to the present value of companies according to the asset sectors.

- **Trading multiples (FV/EBITDA)**

  - Benchmarking against selected listed sector businesses; similar growth profiles and risks, market data was obtained by using market data sources such as the Saudi Stock Exchange (Tadawul) and FactSet.

Based on the aforementioned valuation methodologies and after the review of all the valuation methodologies by Taiba and its financial advisor, an Exchange Ratio range was determined between 1.05 to 1.21 shares in Taiba for each share in Dur which was used as a basis for agreeing the final exchange ratio based on the discounted cash flow analysis methodology, while being supported by the other aforementioned valuation methodology.

Taiba received advice from its respective advisors, in addition to undertaking a comprehensive due diligence exercise on the business of Dur and conducting relevant synergy analysis, and evaluating the current position of Dur to agree the final exchange ratio.

With the above considered, a final exchange ratio of 1.00 share in Taiba for each share in Dur was agreed. This implies a total number of fully paid-up Consideration Shares to be issued of one hundred million (100,000,000) shares. The total nominal value of the Consideration Shares is one billion (SAR 1,000,000,000) Saudi riyals based on a SAR 10 nominal share value for Taiba. The total market value of the Consideration Shares, as determined on the basis of the Exchange Ratio and the closing price of SAR 29.50 per Taiba share on 15/09/1444H (corresponding to 06/04/2023G) (the last business day prior to the signing of the implementation agreement), is Two billion nine hundred and fifty million (SAR 2,950,000,000) Saudi riyals implying a per share value of SAR 29.50 per outstanding DUR share which represents: (i) a premium of 22.51% to the closing share price of Dur of SAR 24.08 in the Saudi Exchange on 15/09/1444H (corresponding to 06/04/2023G), (the last trading day prior to the date of the implementation agreement announcement), and (ii) a premium of 31.00% to the unaffected share prices of Taiba and Dur, which are the closing share price of Taiba of SAR 25.10 and the closing share price of Dur of SAR 19.16 in the Saudi Exchange on 21/05/1444H (corresponding to 15/12/2022G), (the last trading day prior to both companies' announcement on 24/05/1444H (corresponding to 18/12/2022G) in respect of signing a non-binding memorandum of understanding in relation to the Transaction). The total value of the Consideration Shares (as will be recorded on the financial accounts of Taiba) will be determined at a later stage on the basis of the closing price of Taiba shares on the last trading day prior to the Transaction Completion.

J.P. Morgan Saudi Arabia Company, in its capacity as financial advisor to Taiba, rendered its fairness opinion on the Exchange Ratio to the Taiba board of directors on 09/15/1444 AH (corresponding to 06/04/2023G), to the effect that, as of such date and based upon and subject to the factors and assumptions set forth in the written fairness opinion, the Exchange Ratio pursuant to the Implementation Agreement was fair from a financial point of view to Taiba.

J.P. Morgan Saudi Arabia Company, in its capacity as Financial Advisor to Taiba, provided its opinion solely for the information and assistance of the Taiba board of directors in connection with its consideration of the Transaction. As such, the J.P. Morgan Saudi Arabia Company opinion is not a recommendation as to how any Taiba Shareholder should vote with respect to the Acquisition Resolutions or any other matter.

The following documents were reviewed by J.P. Morgan Saudi Arabia Company in providing its fairness opinion that the Exchange Ratio pursuant to the Implementation Agreement was fair from a financial point of view to Taiba: (i) execution version dated 15/09/1444H (corresponding to 06/04/2023G) of the Implementation Agreement; (ii) draft of the Offer Document with respect to the Transaction; (iii) certain publicly available business and financial information concerning Dur and Taiba, the industries in which they operate and certain other companies engaged in businesses comparable to them; (iv) proposed financial terms of the Transaction in comparison with publicly available financial terms of other certain transactions involving companies deemed relevant and the consideration received for such companies; (v) the financial and operating performance of Dur and Taiba in comparison with publicly available information concerning certain other companies deemed relevant including the review of current and historical market prices of Dur shares and Taiba shares and certain publicly traded securities of such other companies; (vi) the audited financial statements of Taiba and Dur for the fiscal years ended on 31 December 2020, 2021 and 2022; (vii) certain internal, unaudited financial analyses, projections, assumptions and forecasts prepared by or at the direction of the managements of Dur and Taiba relating to their respective businesses for the fiscal years ended 31 December 2020, 2021 and 2022, (viii) as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Transaction; and (ix) other financial studies and analyses and considered such other information as deemed appropriate for the purposes of arriving at the opinion that the Exchange Ratio pursuant to the Implementation Agreement was fair from a financial point of view to Taiba.

Furthermore, J.P. Morgan Saudi Arabia Company has held discussions with certain members of the management of Dur and Taiba with respect to certain aspects of the Transaction, and the past and current business operations of Dur and Taiba, the financial condition and future prospects and operations of Dur and Taiba, the effects of the Transaction on the financial condition and future prospects of Taiba, and certain other matters necessary or appropriate to the opinion.

The full text of the written opinion of J.P. Morgan Saudi Arabia Company, dated 15/09/1444H (corresponding to 06/04/2023G) , which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex 2 to this Circular.

The following table summarizes the results of the agreed valuation:

Agreed exchange rate	1 share in Taiba for each share in Dur
The total number of consideration shares	One hundred million (100,000,000) fully paid, with a nominal value of ten (10) Saudi riyals per share
The total nominal value of the consideration shares	One billion (1,000,000,000) Saudi riyal, based on a nominal value of SAR 10 per share
The total market value of the consideration shares	Two billion, nine hundred and fifty million (SAR 2,950,000,000) Saudi riyals based on Taiba share price as of 15/09/1444H (corresponding to 06/04/2023G) of SAR 29.5 (the day prior to the execution of the Implementation Agreement), implying per share value of SAR 29.5, representing a premium of 22.51% to the closing share price of Dur of SAR 24.08 on 15/09/1444H (corresponding to 06/04/2023G) (the last trading day prior to the announcement of the Memorandum of Understanding). The total value of the Consideration Shares (as will be recorded on the financial accounts of Taiba) will be determined at a later stage on the basis of the closing price of Taiba share on the last trading day prior to the Effective Date of the Transaction. It should be noted that determining the total value of the Consideration Shares may affect the determination of the value of goodwill (For further information relating to goodwill impairment following the Transaction, see Section (1-1-13) "Risks relating to post-Completion goodwill impairment" of this Circular

Agreeing on the exchange ratio is a decision that depends on a number of factors and assumptions that cannot be predicted precisely or with certainty by the Board of Directors of Taiba. For more details on the risks related, please see section (1.1.16) ("***Risks related to the fluctuations of Taiba's share price***") and section (1.1.7) ("***Risks related to the Financial Advisor's independent advice***").

3.9 Summary Consolidated Proforma Financial Statements (Unaudited)

Introduction

The accompanying unaudited pro forma condensed consolidated financial information and related notes (the "**Unaudited Pro Forma Financial Information**") have been prepared pursuant to, and for the purpose of illustrating the anticipated effects, of the Implementation Agreement executed between Taiba Investments Company ("**Taiba**") and Dur Hospitality Company ("**Dur**") dated 17/9/1444H (corresponding to 8/4/2023G), on the consolidated financial position and consolidated financial performance of Taiba. Pursuant to the Implementation Agreement, Taiba will make an offer to acquire all outstanding shares of Dur against the agreed consideration (note A) (the "**Acquisition**"). Upon completion of the Acquisition, all of Dur's shares will be delisted from the Saudi Stock Exchange ("**Tadawul**") and Dur will become a wholly-owned subsidiary of Taiba. The completion of the Acquisition is subject to the occurrence or waiving of certain conditions precedent.

The Unaudited Pro Forma Financial Information consists of the unaudited pro forma condensed consolidated statement of financial position as at 31 December 2022G of Taiba as if the Acquisition had taken place on that date and the unaudited pro forma condensed consolidated statement of income for the year ended 31 December 2022G of Taiba giving effect to the Acquisition, as if the Acquisition had taken place on 1 January 2022G and the notes to the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information is to show the material effects that the Acquisition would have had on the historical consolidated statement of financial position and historical consolidated statement of income of Taiba as if Taiba and Dur had already existed in the structure created by the Acquisition as of the above mentioned dates.

The Unaudited Pro Forma Financial Information has been prepared in accordance with the applicable requirements of Annex 18 of the Rules on the Offer and Securities and Continuing Obligations issued by the Board of Capital Market Authority of the Kingdom of Saudi Arabia. The Unaudited Pro Forma Financial Information has been prepared by, and is the responsibility of, Taiba's Board of Directors. The preparation and presentation of the Unaudited Pro Forma Financial Information is based on certain pro forma assumptions (detailed in the Basis of preparation note below) and has been prepared for illustrative purposes only. Moreover, because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and therefore, does not represent Taiba's actual financial position and financial performance, and may not give a true picture of the financial position and financial performance of Taiba upon completion of the Acquisition. In addition, the Unaudited Pro Forma Financial Information is neither representative of the financial situation and performance that could have been observed if the indicated Acquisition had been undertaken at an earlier date nor is the Unaudited Pro Forma Financial Information indicative of the future operating results or financial position of Taiba upon completion of the Acquisition.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL POSITION As At 31 December 2022G (Amounts in SAR)

Amounts in SAR	Note B	Taiba	Dur	Pro forma adjustments	Pro forma
ASSETS					
Non-current Assets					
Property and equipment	1	2,532,907,422	2,849,054,785	-	5,381,962,207
Intangible assets		2,020,348	-	-	2,020,348
Goodwill arising on acquisition	3	-	-	1,351,019,687	1,351,019,687
Investment properties	1	464,241,768	-	-	464,241,768
Right of use assets		-	201,999,960	-	201,999,960
Financial assets at FVOCI	1	452,241,840	2,520,084	-	454,761,924
Investment in associates	1	337,656,977	33,066,318	-	370,723,295
Derivative financial instruments		15,346,675	-	-	15,346,675
Other non current assets		5,706,810	-	-	5,706,810
Total Non - Current Assets		**3,810,121,840**	**3,086,641,147**	**1,351,019,687**	**8,247,782,674**
Current Assets					
Inventory		713,653	21,774,628	-	22,488,281
Trade receivables		11,334,445	140,709,183	-	152,043,628
Prepayments and other current assets		100,773,278	89,176,047	-	189,949,325
Financial assets at FVOCI		177,809,755	-	-	177,809,755
Derivative financial instruments		-	109,916	-	109,916
Cash and cash equivalents		187,631,365	79,705,336	-	267,336,701
Total Current Assets		**478,262,496**	**331,475,110**	**-**	**809,737,606**
Assets classified as held for sale		58,382,144			58,382,144
TOTAL ASSETS		**4,346,766,480**	**3,418,116,257**	**1,351,019,687**	**9,115,902,424**
EQUITY AND LIABILITIES					
Equity					
Share Capital	3	1,604,574,830	1,000,000,000	-	2,604,574,830
Share Premium	3	-	-	1,950,000,000	1,950,000,000
Statutory reserve	3;4	1,000,000,000	500,000,000	(500,000,000)	1,000,000,000
General reserve	3;4	208,791,276	-	-	208,791,276
Other reserves	4	27,558,030	(4,479,916)	4,479,916	27,558,030
Retained earning	3;4	790,174,815	103,460,229	(103,460,229)	790,174,815
Equity Attributable to the Equity Holders of the Parent		**3,631,098,951**	**1,598,980,313**	**1,351,019,687**	**6,581,098,951**
Non-controlling interest	4	25,529,293	59,327,735	-	84,857,028
Total Equity		**3,656,628,244**	**1,658,308,048**	**1,351,019,687**	**6,665,955,979**
Non-Current Liabilities					
Employees' defined benefits liabilities		12,932,698	60,679,823	-	73,612,521

Amounts in SAR	Note B	Taiba	Dur	Pro forma adjustments	Pro forma
Non-current portion of lease liabilities		-	296,207,390	-	296,207,390
Long term loans - non-current portion		275,258,947	928,786,254	-	1,204,045,201
Total Non-Current Liabilities		**288,191,645**	**1,285,673,467**	**-**	**1,573,865,112**
Current Liabilities					
Current portion of lease liabilities		-	34,472,722	-	34,472,722
Current portion of long-term loans		15,827,573	171,007,341	-	186,834,914
Short-term loan		71,665,290	-	-	71,665,290
Trade and other payables	1	182,951,577	178,266,866	-	361,218,443
Dividends payable		114,722,804	43,659,810	-	158,382,614
Amounts due to related parties		3,853,912	35,522,175	-	39,376,087
Zakat payable		11,163,964	11,205,828	-	22,369,792
Total Current Liabilities		**400,185,120**	**474,134,742**	**-**	**874,319,862**
Liabilities associated with assets classified as held for sale		1,761,471	-	-	1,761,471
TOTAL LIABILITIES		**690,138,236**	**1,759,808,209**	**-**	**2,449,946,445**
TOTAL EQUITY AND LIABILITIES		**4,346,766,480**	**3,418,116,257**	**1,351,019,687**	**9,115,902,424**

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME For the year ended 31 December 2022G (Saudi Riyal)

	Note B	Taiba	Dur	Pro forma adjustments	Pro forma
Revenues	2	330,283,906	568,395,086	-	898,678,992
Costs of Revenues		(141,300,217)	(433,448,952)	-	(574,749,169)
GROSS PROFIT		**188,983,689**	**134,946,134**	**-**	**323,929,823**
Selling and marketing expenses		(191,000)	(3,096,931)	-	(3,287,931)
General and administrative expenses	2	(55,566,201)	(42,465,431)	4,817,360	(93,214,272)
Other operating expenses - net		(8,859,067)	-	-	(8,859,067)
Impairment of projects under construction		-	(27,432,684)	-	(27,432,684)
Reversal (provision) of impairment on trade receivables	2	8,827,067	-	(4,817,360)	4,009,707
OPERATING PROFIT		**133,194,488**	**61,951,088**	**-**	**195,145,576**
Dividends of Financial assets at FVOCI		10,482,948	-	-	10,482,948
Group's share of results of associates	2	(578,012)	2,374,225	-	1,796,213
Finance costs	2	(1,402,974)	(55,463,063)	-	(56,866,037)
Net gain on derivative instruments at fair value through profit or loss		-	32,642,864	-	32,642,864
Other (expenses) and income - net	2	16,082,946	3,220,989	-	19,303,935
Net Income (Loss) before Zakat from continued operations		**157,779,396**	**44,726,103**	**-**	**202,505,499**
Zakat Expense		(6,252,142)	(4,575,343)	-	(10,827,485)
Net Income (Loss) for the year from continued operations		**151,527,254**	**40,150,760**	**-**	**191,678,014**
DISCONTINUED OPERATIONS					
Loss after zakat from discontinued operations		(21,817,668)	-	-	(21,817,668)
Net Income (Loss) for the year		**129,709,586**	**40,150,760**	**-**	**169,860,346**
Net Income (Loss) for the year attributable to:					
Shareholders of the Parent Company		139,570,012	40,165,884	-	179,735,896
Non-controlling interest		(9,860,426)	(15,124)	-	(9,875,550)
		129,709,586	**40,150,760**	**-**	**169,860,346**

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

A. Basis of preparation

The accompanying Unaudited Pro Forma Financial Information of Taiba has been presented for the purpose as set out in the Introduction section above and has been prepared based on, and in accordance with the basis of preparation as set out in this note A.

1. The historical financial information of Taiba and Dur were extracted from the following::

   - The audited consolidated financial statements of Taiba for the year ended 31 December 2022G prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization of Chartered and Professional Accountants ("**Taiba FY22 Financial Statements**"); and
   - The audited consolidated financial statements of Dur for the year ended 31 December 2022G prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization of Chartered and Professional Accountants ("**Dur FY22 Financial Statements**").

The financial information of Taiba and Dur as of and for the year ended 31 December 2022G included in this Unaudited Pro Forma Financial Information has been derived from Taiba FY 2022G Financial Statements and Dur FY 2022G Financial Statements, respectively.

2. The accounting policies applied for the preparation of this Unaudited Pro Forma Financial Information are consistent with those disclosed in Taiba FY22 Financial Statements. The accounting policies of Dur are materially consistent with the accounting policies of Taiba, unless otherwise stated.

   Taiba entered into Murabaha price swap agreement during the year ended 31 December 2022G which meets the hedge accounting criteria and is classified as a cashflow hedge. Taiba initially recognises such derivative financial instruments at fair value on the date on which the derivative contract is entered into and subsequently re-measures for any changes in their fair value. Taiba records derivatives as financial assets when the fair value is positive and as a financial liability when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

   Dur entered in interest rate swap agreements in 2018G which do not meet the hedge accounting criteria. Dur recognised those agreements at fair value through profit and loss financial derivatives. For the purpose of this Unaudited Pro Forma Financial Information, the accounting treatment and presentation adopted by Dur for these agreements has been applied. Dur's accounting policy for financial derivative instruments has been disclosed in Dur FY22 Financial Statements. Additionally, Dur has disputed the aforementioned agreements. For more details on the related legal procedures refer to Note 24 to Dur FY22 Financial Statements.

3. The Acquisition has been accounted for in the Unaudited Pro forma Financial Information in accordance with IFRS 3 "Business Combination", which requires an acquirer to be identified in a business combination to apply acquisition method of accounting principles. For the purpose of this Unaudited Pro Forma Financial Information, Taiba has been identified as the accounting acquirer. Taiba has applied the "acquisition method" of accounting for the Acquisition and is required to fair value the assets, liabilities and contingent liabilities acquired at the date of acquisition and to reflect the difference between their fair value and the purchase consideration as goodwill or bargain purchase gain on acquisition. The determination of purchase consideration and the fair value exercise ("purchase price allocation" or "PPA") are not completed as at the date of this Unaudited Pro Forma Financial Information and accordingly the acquired assets and liabilities of Dur have been reflected in this Unaudited Pro forma Financial Information at their book values. The PPA exercise may result in materially different values being attributed to the assets, liabilities and contingent liabilities acquired than those that are shown in this Unaudited Pro Forma Financial Information which is prepared for illustrative purposes only.
4. There were no material inter-company transactions and balances between Taiba and Dur that should have been eliminated for the purposes of this Unaudited Pro Forma Financial Information in accordance with IFRS 10 "Consolidated Financial Statements".
5. The Unaudited Pro Forma Financial Information has been prepared in accordance with the applicable requirements of Annex 18 of the Rules on the Offer and Securities and Continuing Obligations issued by the Board of Capital Market Authority of the Kingdom of Saudi Arabia.

   The Unaudited Pro Forma Financial Information should be read in conjunction with the Taiba FY22 Financial Statements and Dur FY22 Financial Statements. Certain disclosures that may be required by International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") have not been included in this Unaudited Pro Forma Financial Information.

6. The Unaudited Pro Forma Financial Information does not take into consideration the effects of any expected synergies or costs incurred to achieve these synergies as a result of the Acquisition. The Unaudited Pro Forma Financial Information gives no indication of the results and future financial situation of the activities of Taiba upon completion of the Acquisition.

7. In accordance with the terms of the Implementation Agreement, the Acquisition will result in an increase in Taiba issued share capital by issuance of 100,000,000 consideration shares (the "Consideration Shares") of SAR 10 per share (par value) to the shareholders of Dur at the exchange ratio of 1.000 share in Taiba for each share in Dur in consideration of acquiring the outstanding issued shares of Dur.

   Based on the outstanding share capital of Dur as at the date of the Implementation Agreement, the completion of the Acquisition would result in increasing the total issued share capital of Taiba to SAR 2,604,574,830. Accordingly, following the issue of Consideration Shares, Dur shareholders would own approximately 38.4% of the total issued share capital of Taiba. Following the Acquisition, all of Dur's shares will be delisted from Tadawul and Dur will become a wholly-owned subsidiary of Taiba.

B. Description of the pro forma adjustments

The pro forma adjustments incorporated in the Unaudited Pro Forma Financial Information are based on information available as well as certain pro forma assumptions as described in these notes to the Unaudited Pro Forma Financial Information. The pro forma adjustments give effect to events that are directly attributable to the Acquisition, are factually supportable and are expected to have a continuing impact on the consolidated statement of financial position and consolidated statement of income of Taiba.

As previously mentioned, the Unaudited Pro Forma Financial Information contains neither any potential synergies or cost savings nor any normalisation adjustments or any additional future expenses that could result from the Acquisition. Furthermore, the Unaudited Pro Forma Financial Information does not contain any potential or future obligations resulting from any possible remedies/regulatory requirements imposed on Taiba upon completion of the Acquisition by regulatory authorities, such as the transfer of a portion of income to statutory reserve, in connection with the Acquisition. In addition, the Unaudited Pro Forma Financial Information has not been adjusted for the Acquisition related costs.

The pro forma adjustments included in the Unaudited Pro Forma Financial Information are as follows:

1. To ensure consistency of presentation between the condensed consolidated statement of financial position of Taiba and Dur as of 31 December 2022G as presented in the Unaudited Pro Forma Financial Information, the following adjustments have been made:

   - An amount of SAR 175,213,850 as of 31 December 2022G of Dur's "Projects under construction" has been presented under "Property and equipment".
   - An amount of SAR 2,520,084 as of 31 December 2022G of Dur's "Investments at fair value through OCI" has been presented under "Financial assets at FVOCI".
   - An amount of SAR 33,066,318 as of 31 December 2022G of Dur's "Investments in equity accounted investees" has been presented under "Investment in associates".
   - An amount of SAR 19,156,286 as of 31 December 2022G of Dur's "Trade payables" has been presented under "Trade accounts and other payables".
   - An amount of SAR 159,110,580 as of 31 December 2022G of Dur's "Accrued and other current liabilities" has been presented under "Trade accounts and other payables".

2. To ensure consistency of presentation between the condensed consolidated statement of income of Taiba and Dur for the year ended 31 December 2022G as presented in the Unaudited Pro Forma Financial Information, the following adjustments have been made:

   - An amount of SAR 436,539,383 for the year ended 31 December 2022G of Dur's "Hospitality income" has been presented under"Revenues".
   - An amount of SAR 128,829,786 for the year ended 31 December 2022G of Dur's "Rental income" has been presented under "Revenues".
   - An amount of SAR 3,025,917 for the year ended 31 December 2022G of Dur's "Management Fees" has been presented under "Revenues".
   - An amount of (SAR 4,817,360) for the year ended 31 December 2022G of Dur's "Expected credit reversal (loss)", as included under General and administrative expenses, has been presented under "reversal (provision) of impairment on trade receivables"
   - An amount of SAR 2,374,225 for the year ended 31 December 2022G of Dur's "Share of net results of investments in equity accounted investees" has been presented under "Group's share of results of associates".
   - An amount of SAR 41,297,157 for the year ended 31 December 2022G of Dur's "Financial charges of term loans" has been presented under "Finance costs".
   - An amount of SAR 14,165,906 for the year ended 31 December 2022G of Dur's "Financial charges of lease liabilities" has been presented under "Finance costs".
   - An amount of SAR 146,760 for the year ended 31 December 2022G of Dur's "Finance income" has been presented under "Other (expenses) and income - net".

3. The following adjustments have been made to the Unaudited Pro Forma Financial Information to record the issuance of the Consideration Shares by Taiba to Dur's shareholders. For the Unaudited Pro Forma Financial Information purposes, the consideration for the Acquisition has been calculated on the basis of a share exchange at the rate of 1.000 share in Taiba for each share in Dur. As explained earlier, the Acquisition would result in issuance of 100,000,000 shares of Taiba to acquire Dur's issued share capital. This would result in 38.4% and 61.6% of ownership interest of Dur and Taiba shareholders, respectively in Taiba upon completion of the Acquisition based on the total issued share capital of Taiba on the Acquisition date.

a) Pro forma Share Capital of Taiba Post-Acquisition

Outstanding shares of Dur as at 31 December 2022G (units)	(A)	100,000,000
Exchange ratio	(B)	1.000
Number of shares to be issued by Taiba (units)	(C=A*B)	100,000,000
Par value of shares to be issued by Taiba (SAR)	(D=C*10)	1,000,000,000
Outstanding share capital of Taiba (SAR) as at 31 December 2022G	(E)	1,604,574,830
Total issued share capital of Taiba post-acquisition (SAR)	**(D+E)**	**2,604,574,830**

Applying the rules of IFRS 3, the consideration for Taiba's acquisition of Dur would be the fair value of 100,000,000 shares that Taiba would have to issue to acquire Dur's issued share capital.

As disclosed in the Implementation Agreement, the total value of the Consideration Shares will be determined at a later stage based on the closing share price of Taiba as published on Tadawul on the last trading day prior to the completion of the Acquisition. For the purpose of this Unaudited Pro Forma Financial Information, the assumed total value of the consideration has been calculated as defined in the Shareholder Circular by using the share price of Taiba in an amount of SAR 29.50 per share which represents the closing price of Taiba on 6 April 2023G published on Tadawul (the last trading day prior to signing the Implementation Agreement by Taiba and Dur).

b) Pro forma total consideration

The consideration is computed as follows:

Number of shares to be issued by Taiba to Dur shareholders (units)	100,000,000
Multiplied by share price of Taiba (SAR) as at 6 April 2023G	29.50
Total Consideration (SAR)	**2,950,000,000**

c) Pro forma share premium of Taiba Post-Acquisition

As a result of above calculation of the Total Consideration, a share premium of SAR 1,950,000,000 arises on Taiba's issuance of the Consideration Shares for the Acquisition computed as follows:

	Amounts in SAR
Total Consideration	2,950,000,000
Less: Par value of shares issued by Taiba to Dur shareholders	(1,000,000,000)
Share premium as at 31 December 2022G	**1,950,000,000**

d) *Pro forma Goodwill on the Acquisition*

	31 December 2022G
Amounts in SAR	
Total Consideration	2,950,000,000
Less: Adjusted net assets of Dur	(1,598,980,313)
Goodwill arising on the Acquisition	**1,351,019,687**

Goodwill represents the excess of Total Consideration over adjusted net assets of Dur as at 31 December 2022G and the assumption that the Acquisition had taken place on that date.

The Unaudited Pro Forma Financial Information does not include any fair value adjustments on the balance sheet assets and liabilities, intangible assets arising from the Acquisition and contingent liabilities of Dur as required by IFRS 3 as the Unaudited Pro Forma Financial Information does not reflect the impact of the PPA exercise which is yet to be completed. Once the PPA exercise has been completed, the goodwill will need to be allocated into fair value adjustments resulting from the PPA exercise as at the date of the Acquisition.

The adjusted net assets of Dur have been computed by deducting non-controlling interest which represent the interest in subsidiary companies not held by Dur. These were excluded from the computation of goodwill.

	31 December 2022G
Amounts in SAR	
Net assets of Dur	1,658,308,048
Less: Other equity items	
Non-controlling interest	(59,327,735)
Adjusted net assets of Dur	**1,598,980,313**

4. The pro forma consolidated retained earnings, and other equity balances at the date of the Acquisition represent Taiba's pre-acquisition balances with the exception of non-controlling interests that have been retained as these represent the interest in subsidiary companies not held by Dur.

   The completion of the purchase price allocation may result in different values being attributed to the assets, liabilities and contingent liabilities of Dur, acquired as part of the Acquisition than those that are shown in the Unaudited Pro Forma Financial Information for illustrative purposes. Therefore, no adjustments to such provisional amounts have been made in the unaudited pro forma condensed consolidated statement of income or unaudited consolidated condensed statement of financial position, such as, in connection with intangible assets amortisation or goodwill impairment.

3.10 A comparison between Taiba's performance indicators in the unaudited pro forma condensed consolidated financial information and the audited financial statements

Indicator	2021G Taiba	2022G Taiba	2022G Taiba Post-Completion
Gross profit margin %	33.9%	57.2%	36.0%
Net profit margin %	(95.9%)	39.3%	18.9%
Return on assets %	(3.1%)	3.0%	2.0%
Return on equity %	(3.4%)	3.5%	2.7%
Liabilities to Equity (X)	0.1	0.2	0.4
Debt to Total Equity (X)	0.0	0.1	0.3

3.11 Impact on earnings per share as a result of the Transaction

The transaction is expected to result in a value added to Taiba Shareholders supported by the aggregated asset portfolio, development opportunities, benefits and savings expected on the short to midterm. For the purpose of determining the financial benefits, the Board has taken potential revenue benefits and cost savings into account. The benefits in expected revenues will enable Taiba to benefit from the geographical presence of its portfolio of assets, along with Dur, throughout the KSA. In addition, improving the market position and brand is expected to increase sales opportunities, raise increase revenues and boost customer satisfaction. From a cost savings perspective, and given the expected benefits of the Transaction, efficiency improvements are expected with significant value creation potential.

For more information on the Transaction Rationale, please see Section (3.2) ("***Transaction Rationale***"), and please refer to Section (1.1.3) ("***Risks related to non-realizing the benefits anticipated from the Transaction***") and other risks listed in Section (1) ("***Risk Factors***") for more information on the risks related to the Transaction, shares and their profitability, and Dur.

The table below shows Taiba's earnings per share based on Taiba's audited financial statements for the fiscal year ended 31 December 2022G, and based on the unaudited pro forma condensed consolidated financial information for the year ended 31 December 2022G (which do not take into account the benefits of the transaction):

Earnings per share (based on Taiba's audited financial statements for the year ended 31 December 2022G)	0.87
Earnings per share after capital increase (based on the unaudited pro forma condensed consolidated financial information for the year ended 31 December 2022G)	0.69

It is difficult to predict any future events or results. Therefore, undue reliance should not be placed on forward-looking expectations or statements related to earnings per share after the Transaction.

3.12 Taiba's share price performance

The following table shows Taiba's share price performance during the year prior to the submission of the application for registering and offering the Consideration Shares, up to the date hereof:

Date	Closing Price of Taiba's Share (SAR)
28/09/2023	27.40
31/08/2023	28.40
31/07/2023	31.00
22/06/2023	30.30
31/05/2023	29.70
30/04/2023	29.55
30/03/2023	28.20
28/02/2023	26.35
31/01/2023	25.95
31/12/2022	24.86
30/11/2022	26.80
31/10/2022	28.40
30/09/2022	27.25
31/08/2022	28.75
31/07/2022	29.30
30/06/2022	27.90
31/05/2022	30.70
The last trading day before the Firm Intention Announcement	
06/04/2023	29.50
The last trading day before the publication of this Circular	
08/11/2023	26.35

Source: Saudi Exchange (Tadawul)

4. Management's discussion and analysis of the financial position and results of operations

4.1 Introduction

This Section "Management Discussion and Analysis of Financial Position and Results of Operations" ("**MD&A**") provides an analysis of the financial results of Dur (the "**Company**") and its subsidiaries (together referred as the "**Group**") and is based on the consolidated audited financial statements for the fiscal years ended 31 December 2020G ("**FY20**"), 2021G ("**FY21**") and 2022G ("**FY22**"), together being the ("**Financial Statements**"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and have been audited by Ernst & Young ("**EY**") for the fiscal years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G. The financial information in this section has primarily been extracted from the audited financial statements for the financial year 2022G, including financial information relating to the financial years ended 31 December 2021G and 31 December 2020G which has been extracted from comparatives included in the 2022G Financial Statements of the Group. Certain financial information relating to the financial year 31 December 2020G was extracted from the financial statements for the financial year 2021G.

This Section may include data of forward-looking nature and are based on Dur Management's plans and current expectations for the Group's growth, results of operations, and financial situation. The Group's actual results could differ materially from those expressed or implied in such data and statements as a result of various factors, including those discussed within this Section and elsewhere in this Circular, particularly in the "***Important Notice***" Section and Section 1 "***Risk Factors***".

All amounts are in SR thousand (or SAR thousand), unless stated herein otherwise. Amounts and percentages have been rounded to the nearest decimal.

4.2 Directors' Declarations on the Financial Statements

The members of the Board of Directors of Taiba do not accept any responsibility for the accuracy and completeness of the information contained in this section. The information contained in this section has been obtained from publicly available information, including the Financial Statements of Dur, as well as information provided by Dur Group. Dur has an obligation under the Implementation Agreement to provide Taiba with all necessary information about Dur required for the purpose of preparing this Circular. Dur has also provided a customary warranty to Taiba, under the Implementation Agreement, that all information provided to Taiba during the course of the due diligence process is true and accurate in all material respects and not misleading in a material respect. Dur also warranted, under the Implementation Agreement, that they have not intentionally withheld any material information from Taiba.

The information contained in this section was obtained from the audited Financial Statements of Dur without making any material changes to them and these statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). For more details on the accounting framework adopted by Dur, refer to section (4.4) "***Summary of Significant Accounting Policies***" of this Circular.

Taiba assumed that there is currently no intention to make any fundamental change in the nature of the activities of the Group and that the Group's operations were not interrupted in any way that could materially affect the Group's financial position during the twelve-month period preceding the date of this Circular.

4.3 Overview of the Group

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

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

4.4 Summary of Significant Accounting Policies

Dur's consolidated audited financial statements for the fiscal years ended 31 December 2020G, 2021G and 2022G have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The consolidated financial statements have been prepared on a historical cost basis, except for investment in equity instruments at fair value through other comprehensive income and derivative financial instruments which are measured at fair value and employees' end of service benefits which are measured under projected credit unit method.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022G. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

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

The accompanying consolidated financial statements includes the financial statements of Dur and its subsidiaries as follows:

Legal entity	% of ownership at 31 December 2020G	% of ownership at 31 December 2021G	% of ownership at 31 December 2022G
Makkah Hotels Company Limited	99.44%	99.44%	99.44%
Saudi Hotel Services Company Limited	70%	70%	70%
Alnakheel for Tourist Areas Company Limited	98.73%	98.73%	98.73%
Nuzul Shada Hospitality Company	60%	60%	60%
Tabuk Hotels Company Limited	97.14%	97.14%	97.14%
Jude Alia Company Limited	99%	99%	99%
Almasdar Alamny Company Limited	95%	95%	-
Al Sawaed Al Kareemah Investment and Real Estate Development Company	95%	95%	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100%	100%	100%
Dara Oasis Company Limited (One Person Company)	100%	100%	100%
Dur Real Estate Communities Company (One Person Company) – formerly Almashrouat Almethaleyah Real Estate Company	100%	100%	100%
Alsarh Alaniq operation and maintenance Company (One Person Company)	100%	100%	100%

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

Cash and cash equivalents

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

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non -current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Financial instruments

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

Financial assets

Initial recognition, classification and subsequent measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Group has the following financial assets.

Financial assets at amortized cost:

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in consolidated statement of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables and amounts due from related parties.

Financial assets at fair value through other comprehensive income (FVOCI)

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

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition

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

- The right to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
  - The Group has transferred substantially all the risks and rewards of the asset, or
  - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Reclassifications

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

Impairment of financial assets

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are initially recognized when the Group becomes party to the contractual provisions of the instrument and are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Financial liability at amortized cost (term loans)

This is the category most relevant to the Group. After initial recognition, interest-bearing term loans are subsequently measured at amortized cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

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

Financial liabilities at fair value through profit or loss

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

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

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

Derecognition

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

Offsetting of financial instruments

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

Derivative financial instruments

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

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

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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

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

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

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

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

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

Right to use assets (ROU)

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

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

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

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

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

Property and equipment

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

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

Buildings	50-75 years
Motor vehicles	4 years
Building improvements	5-10 years
Machinery and equipment	5 years
Furniture	10 years
Elevator and central air conditioning	40 years

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

Projects under construction

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

Impairment of non-financial assets

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

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

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

Dividends

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

Zakat

The Company and its subsidiaries are subject to Zakat in accordance with the zakat regulation issued by the Zakat, Tax and Customs Authority ("ZATCA") in the KSA, which is also subject to interpretations. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. The zakat provision is charged to the consolidated statement of income. Additional Zakat liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the period in which the final assessments are finalized.

Value-Added Tax ("VAT")

Expenses and assets are recognized net of the amount of value added tax, except, where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of VAT included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Accruals

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

Provisions, contingent assets and contingent liabilities

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

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

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

Inventories

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

Employees' defined benefits

Short term employees' benefits

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

Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognized in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Lease liabilities

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

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

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

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

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

Group as a lessor (rental income)

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

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

Statement of cash flows

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

Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Revenues

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

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

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

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

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

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

Revenues from sales food and beverages

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

Revenues for rooms

Revenue from rooms occupancy is recognized over time.

Revenues from other hospitality services

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

Properties management fees

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

Costs and expenses

Expenses are recognized when incurred on accrual basis of accounting. Expenses are classified as follows:

(a) Cost of revenue: These include the cost directly attributable to sales of goods and provision of services, i.e. directly related to revenue recognized.

(b) Selling and marketing: These are arising from the Group's efforts underlying the selling and marketing functions.

(c) General and administrative expenses: All other expenses other than finance costs are classified as general and administrative expenses.

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

Finance income and finance cost

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

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

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

Transactions and balances

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

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated financial statements date. All differences are recognized in consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Segment information

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

New standard issues, standard issued and effective

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

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

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

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

New standard issues, standard issued but not yet effective

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

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

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

Significant accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group used its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on Discounted Cash Flow model ("DCF"). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Expected credit losses for trade receivables

The Group has applied the standard's simplified approach of impairment in accordance with IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience for groupings of various customer segments that have similar loss patterns, adjusted for forward-looking factors specific to the debtors and the economic environment. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Employees' defined benefit obligations

The Employees' defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Useful lives and residual values of property and equipment

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

Going concern

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

Fair value measurement of financial instruments

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

Leases - Estimating the incremental borrowing rate

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

Judgements

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

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

Property lease classification – Group as lessor

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

Operating segments

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

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

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

4.5 Results of Operations

4.5.1 Consolidated Statements of Income

The following table shows the Group's consolidated statements of income for the fiscal years ended 31 December 2020G, 31 December 2021G and 31 December 2022G:

Table 4.1: Consolidated statement of comprehensive income for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Hospitality revenue	321,034	348,383	436,539	8.5%	25.3%	16.6%
Rent revenue	119,618	123,246	128,830	3.0%	4.5%	3.8%
Management fee revenue	1,668	1,521	3,026	(8.8%)	98.9%	34.7%
Total revenue	**442,320**	**473,150**	**568,395**	**7.0%**	**20.1%**	**13.4%**
Costs of revenue	(381,495)	(413,652)	(433,449)	8.4%	4.8%	6.6%
Gross profit	**60,824**	**59,498**	**134,946**	**(2.2%)**	**126.8%**	**49.0%**
Selling and marketing	(1,474)	(1,980)	(3,097)	34.3%	56.4%	45.0%
General and administrative	(53,596)	(31,292)	(42,465)	(41.6%)	35.7%	(11.0%)
Impairment of projects under construction	-	-	(27,433)	Not applicable	Not applicable	Not applicable
Total expenses	**(55,070)**	**(33,272)**	**(72,995)**	**(39.6%)**	**119.4%**	**15.1%**
Operating income	**5,754**	**26,226**	**61,951**	**355.8%**	**136.2%**	**228.1%**
Financial charges	(33,241)	(23,145)	(41,297)	(30.4%)	78.4%	11.5%
Financial charges on lease liabilities	(15,759)	(13,741)	(14,166)	(12.8%)	3.1%	(5.2%)
Finance income	324	38	147	(88.2%)	286.8%	(32.7%)
Other income, net	630	10,053	3,074	1495.7%	(69.4%)	120.8%

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Net gain on derivative instruments at fair value through profit or loss	-	16,378	32,643	Not applicable	99.3%	Not applicable
Share of net results of investments in equity accounted investees	(1,739)	(4,290)	2,374	146.7%	(155.3%)	Not applicable
Income / (loss) before zakat	**(44,030)**	**11,519**	**44,726**	**(126.2%)**	**288.3%**	**Not applicable**
Zakat	(7,579)	(9,312)	(4,575)	22.9%	(50.9%)	(22.3%)
Net income / (loss) for the year	**(51,609)**	**2,206**	**40,151**	**Not applicable**	**1720.1%**	**Not applicable**

Source: The audited consolidated financial statements for the year ended 31 December 31 December 2021G and 31 December 2022G

Table 4.2: KPIs for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G	Fiscal Year 2021G	Fiscal Year 2022G	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
No. of hospitality properties	12	12	12	0.0%	0.0%	0.0%
No. of rental properties	3	4	4	33.3%	0.0%	15.5%
Avg. revenue per hospitality (SR in 000s)	26,743	29,032	36,377	8.6%	25.3%	16.6%
Avg. revenue per rental (SR in 000s)	39,873	30,799	32,131	(22.8%)	4.3%	(10.2%)
No. of employees	1,565	1,423	1,385	(9.1%)	(2.7%)	(5.9%)
As a percentage of total revenue						
Gross profit	13.8%	12.6%	23.7%	(1.2)	11.2	10.0
General and administrative expenses	12.1%	6.6%	7.5%	(5.5)	0.9	(4.6)
Selling and marketing expenses	0.3%	0.4%	0.5%	0.1	0.1	0.2
EBITDA	24.8%	34.4%	37.7%	9.7	3.3	12.9
Net income / (loss)	(11.7%)	0.5%	7.1%	12.1	6.6	18.7

Source: Management information

Revenue

Revenue was generated from 3 main types of services: (i) Hospitality: accounting for an average 74.3% of total revenue over the period under review, which comprised of hotels and aparthotels, (ii) Rentals: accounting for an average 25.3% of total revenue, which comprised of residential compounds and one commercial center, and (iii) Management fees: accounting for an average 0.4% of total revenue, generated from hotels and residential properties that are managed / operated by the Group.

Revenue increased by 7.0% from SAR 442.3 million in FY20 to SAR 473.2 million in FY21 largely driven by:

1. an increase in hospitality revenue (+SAR 27.3 million) as a result of (i) higher occupancy recorded across properties due to improved operations on the back of the easing of travel restrictions post COVID-19 lockdowns, and (ii) reinstatement of banquet and catering services as of Q4-21 (with the exception of limited services in the Makkah region during the Hajj season of FY22). This was slightly offset by lower revenue recorded for the Riyadh Marriott Hotel (-SAR 24.8 million) due to the departure of MoH guests who fully occupied the property for a period of 7 months in FY20 (June-20 to Dec-20), and slower pick up in corporate demand for this property compared to other properties;
2. expansion in the portfolio of Shada properties (+SAR 12.0 million) as a result of an increase in the number of properties from 3 to 6, and the ramp up in operations and full year effect of the opening of Holiday Inn & Suites Jubail (+SAR 9.5 million), which commenced operations in FY20; and
3. an increase in rental revenue (+SAR 3.6 million) driven by (i) the opening of Dur Al-Wadi in Riyadh (+SAR 1.9 million) in FY21, a high-end residential compound located in close proximity to the Diplomatic Quarters, and (ii) higher occupancy and annual lease rates, due to an increase in rent rates across tenants, recorded for the Group's key residential property Darraq (+SAR 1.4 million).

Revenue increased by 20.1% from SAR 473.2 million in FY21 to SAR 568.4 million in FY22 mainly driven by hospitality revenue (+SAR 88.2 million) as a result of (i) higher demand for hospitality services, on the back of the full year effect of the easing of travel restrictions, and thus an increase in overall occupancy and market rates, which translated to an increase in average rates across properties, and (ii) full year effect of the reinstatement of banquet and catering services (with the exception of limited offering in the Makkah region during the Hajj season however 100% services is expected in FY23); which was accompanied with a shift in guest behavior back to F&B services post COVID-19.

This was partially offset by a decrease in revenue from (i) Makarem Annakheel Village (-SAR 25.1 million) as a consequence of the temporary shutdown of the property for a period of 8 months in FY22 (as of May-22) for refurbishment works and rebranding, and (ii) Holiday Inn Tabuk Hotel (-SAR 22.7 million) following the departure of the Royal Fleet and MoH in the first week of FY22, and expansion of the property in FY22 which resulted in an increase in the number of available rooms.

This was coupled with an increase in rental revenue (+SAR 5.6 million) driven by (i) Dur Al-Wadi (+SAR 2.9 million) due to the ramp up and full year effect of operations, which translated to an increase in occupancy, as well as an increase in the average yearly lease rate, and (ii) Darraq (+SAR 2.7 million), mainly associated with an increase in the annual lease rate due to an increase in rent rates across tenants.

Cost of Revenue

Cost of revenue is mainly comprised of employee costs and depreciation expense which collectively accounted for an average 63% of total cost of revenue over the period under review.

Cost of revenue increased by 8.4% from SAR 381.5 million in FY20 to SAR 413.7 million in FY21 mainly driven by an increase in:

1. salaries and benefits (+SAR 42.9 million) associated with (i) an increase in the average monthly salary per employee as a result of the absence of cost cutting initiatives adopted in FY20 due to COVID-19 which included temporary salary reductions, and vacation reductions and rescheduling, as well as government-related financial support that was received in FY20, and (ii) outsourced labour costs (+SR8.1m) due to a higher reliance on outsourced labour following the opening of the Holiday Inn Jubail, and the hiring freeze from COVID-19 for a period of time in FY21; and
2. depreciation expense (+SAR 11.7 million) driven by (i) opening of Holiday Inn & Suites Jubail (+SAR 5.3 million) and Dur Al-Wadi Compound (+SAR 1.7 million) during the period, (ii) expansion in the Shada portfolio of properties (+SAR1.5 million), Makarem Ajyad Makkah Hotel (+SAR3.7 million), slightly offset by a decrease in depreciation for Marriott Airport (-SAR 1.1 million) due to the renovations and expansion works that took place between FY18-20 and no major capex in later periods.

This was partially offset by a decrease in (i) operating supplies and accessories (-SAR 10.4 million), which were higher in FY20 due to more stringent health and safety regulations during COVID-19 which resulted in higher consumption of consumables and at higher prices during Q2-20, launch of the Safe Stay program, and the opening of Holiday Inn & Suites Jubail, (ii) advertising expenses due to lower marketing activity and promotions, and (iii) one-off expenses recorded in FY20 related to pre operating expenses for Holiday Inn & Suites Jubail, and an inventory write-off made in FY20 in relation to the Crown Plaza Riyadh Palace Hotel.

Cost of revenue increased by 4.8% from SAR 413.7 million in FY21 to SAR 433.4 million in FY22 mainly driven by an increase in employee costs (+SAR 15.0 million) associated with (i) higher average salaries paid to employees due to promotions and increments provided during the year following a revision to salary scheme, and improved operations, and (ii) higher reliance on outsourced labour (+SAR 7.1 million) due to the increase in operations across properties, and in particular the reinstatement of F&B outlets, given that outsourced labour are utilized for banquet, kitchen, housekeeping and laundry services. According to Management, they expect to continue to rely on outsourced labour for certain roles, which helps the Group benefit during slower periods. However, this is expected to decrease in FY23 as Management plans to hire more in-house staff to accommodate the expected increase in operations going forward.

Gross Profit

Gross margin decreased from 13.8% in FY20 to 12.6% in FY21 primarily due to (i) higher margins recorded for rooms in the first 2 months of FY20 (pre COVID-19) compared to lower rates recorded throughout FY21 for those properties that accommodated MoH guests during the period due to low rates charged and lower demand for hospitality throughout FY21, (ii) an increase in employee costs, despite the drop in headcount from 1,509 to 1,368, associated the absence of cost cutting initiatives which were adopted by the Group in FY20 which included salary reductions ranging between 5%-40%, and vacation reductions and rescheduling, financial support received by the government, and (iii) lower commissions paid to travel agents for hotel bookings in FY20.

This was slightly offset by a decrease in (i) operating supplies and accessories, which were higher in FY20 due to more stringent health and safety regulations related to COVID-19, (ii) lower advertising and marketing activity conducted in FY21, and (iii) one-off expenses recorded in FY20 related to pre operating expenses for Holiday Inn & Suites Jubail and the inventory write-off in relation to Crown Plaza Riyadh Hotel.

Gross margin increased to 23.7% in FY22 driven by (i) higher demand for hospitality services and higher average market rates, which translated to an increase in occupancy and average rates, with average rates in FY22 reverting back to pre COVID-19 levels, (ii) full year effect of the reinstatement of banquet and catering services (as of Q4-21), which yield high margins, and (iii) lower kitchen costs, in relation to F&B, due to certain government requirements that were no longer required, and the discontinuation of the Safe Stay program.

Selling and Marketing Expenses

Selling and marketing expenses related to marketing activity conducted on a head office level, and remained relatively stable at c.0.4% of revenue over the period under review.

General and Administrative Expenses

General and administrative expenses mainly comprised (i) employee costs, which accounted for 51.2% of total cost over FY20-22, and (ii) board of directors remunerations, which accounted for c.9%.

G&A expenses decreased from SAR 53.6 million in FY20 to SAR 31.3 million in FY21 driven by a decrease in (i) professional fees (-SAR 7.3 million) due to one-off legal fees incurred in FY20 (amounting to SAR 6.0 million) in connection with the lawsuit filed against the financial institution for the validity of the two derivatives, (ii) provision for ECL (-SAR 7.1 million) due to the Group adopting a new policy in FY21, and collections of bad debt made during the period, which resulted in a reversal during the period, and (iii) an exceptional expense incurred in FY20 (amounting to SAR 6.5 million) in connection with Zakat and VAT assessments for prior periods.

G&A expenses increased to SAR 42.5 million in FY22 driven by (i) provision for ECL (+SAR 5.6 million) due to a higher provision recorded in FY22, mainly related to the Marriott Courtyard, and (ii) salaries and benefits (+SAR 4.9 million) due to the full year effect of replacement of some employees who resigned in FY20 at higher average salaries, and increments and promotions provided to staff in FY22 following a revision to salary schemes, as well as the improved operations. This was coupled with higher incentives recorded in FY22 (+SAR 2.5 million) as a result of improved operations.

Impairment of projects under constructions related to the cancelation of 3 projects under construction. The Group reviews the progress of projects under construction periodically. During their last review and taking into consideration the recent economic outlook for different regions in KSA, and aligning the Group's strategy with Vision 2030, the Group decided to cancel 3 projects and accordingly impaired the entire capitalized costs of these projects (SAR 27.4 million).

Financial charges

Financial charges related to Murabaha commissions in connection with 10 loans obtained from 5 local commercial banks in the form of Murabaha financing with accrued Murabaha commission at market prevailing rates.

Finance charges decreased by 30.4% from SAR 33.2 million in FY20 to SAR 23.1 million in FY21 due to higher SIBOR rate exhibited in Q1-20, and settlement of the Marriott Hotel Riyadh loan in July-20.

Finance charges increased by 78.4% from SAR 23.1 million in FY21 to SAR 41.3 million in FY22 driven by an increase in term loans obtained for the Group's expansion plans, and a bank overdraft utilized in FY21 in relation to the settlement of the derivative financial instruments.

Financial charges on lease liabilities

The Group adopted IFRS16 in FY19 which resulted in financial charges on lease liabilities, which averaged SAR 14.5 million over the FY20-22 period.

Financial income

Finance income related to short term Murabaha deposits with average maturities ranging between 30-90 days which bear an average commission of 196 basis points.

Other income

Other income increased from SAR 630 thousand in FY20 to SAR 10.1 million in FY21 driven by (i) non-recurring income recorded in FY21 related to settlements with a contractor (SAR 9.1 million), and reimbursements from ZATCA (SAR 1.8 million), and (ii) accruals no longer required (SAR 5.0 million) pertaining to a provision that was booked in FY19 for contingent maintenance and other pre-opening expenses of the newly constructed hotels during the period, which was not consumed and accordingly, the excess provisions were reversed in FY21 and FY22. This was slightly offset by consultancy expenses (SAR 7.0 million) related to due diligence and other professional services incurred in FY21 as a result of the proposed merger activities, that were suspended in early FY22.

Other income decreased from SAR 10.1 million in FY21 to SAR 3.1 million in FY22, and mainly comprised the remaining contingent and maintenance excess provision no longer required (SAR 2.2 million).

Net gain on derivative instruments at FVPL related to two interest rate swap derivative agreements that the Group entered into with a local financial institution which did not qualify for hedging purposes. Accordingly, the Group filed a lawsuit against the financial institution in FY20 to dispute the validity of these agreements. In FY21, the Committee for Resolution of Securities Disputes issued a final decision for lack of jurisdiction and clarified that this subject to the Committee of Banking and Financial Disputes, after which the Group files a new lawsuit in FY22 before the Committee of Banking and Financial Disputes to revoke the agreements.

The Group continues to pursue the legal case however has recognized the realized gains and fair value change as per IFRS, which amounted to SAR 16.4 million and SAR 32.6 million in FY21 and FY22 respectively. The derivatives carried an original maturity of Dec-24, however one of these derivatives was called back by the financial institution in Dec-22.

Share of investments in equity investees represents the Group's (i) 25% equity stake in Saudi Company for Heritage Hospitality, (ii) 50% stake in Al Madinah Hotels Company Limited, and (iii) 49% equity stake in Al Madinah Tower Real Estate Company (added in FY21). The Saudi Company for Heritage Hospitality is going through a liquidation formality.

Zakat

The Company and its subsidiaries file their Zakat returns individually based on their financial statement and a total estimated Zakat is presented in the consolidated statement of income for the Group. As such zakat registered SAR 7.6 million in FY20, SAR 9.3 million in FY21, and SAR 4.6 million in FY22.

Net income / (Loss) for the year

The Group recorded a net loss of SAR 51.6 million in FY20 driven by the drop in revenues and lower margins generated as a result of COVID-19, coupled with higher G&A expenses (related to one-off expenses), and finance charges recorded during the period. This resulted in a net loss margin 11.7% in FY20.

Net profit of SAR 2.2 million was recorded in FY21 driven by the (i) increase in revenue (+SAR 30.8 million) due to improved operations during the period, (ii) a decrease in general and administrative expenses and finance charges, and (iii) recording of a net gain on derivatives during the period.

Net profit increased from SAR 2.2 million in FY21 to SAR 40.2 million in FY22 driven by the increase in revenue and improvement in profitability during the period, mainly associated with hospitality services, coupled with gains related to fair value change of the two Interest Swap derivative agreements, and lower zakat expenses.

4.5.1.1 Revenue by subsidiary

Table 4.3: Revenue by subsidiary for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Dur standalone ("Dur")	337,392	343,313	433,936	1.8%	26.4%	13.4%
Tabuk Hotel Company Limited ("Tabuk")	39,662	43,787	21,103	10.4%	(51.8%)	(27.1%)
Al Nakheel Company Limited ("Annakheel")	26,539	32,234	7,139	21.5%	(77.9%)	(48.1%)
Saudi Hotel Services Company ("SHSC")	21,576	22,251	24,786	3.1%	11.4%	7.2%
Makkah Hotel Company Limited ("Makkah")	9,922	12,311	63,489	24.1%	415.7%	153.0%
Nuzul Shada Hospitality Company ("Shada")	7,229	19,255	17,942	166.3%	(6.9%)	57.5%
Total	**442,320**	**473,150**	**568,395**	**7.0%**	**20.1%**	**13.4%**
As a percentage of total revenue						
Dur Hospitality ("Dur")	76.3%	72.6%	76.3%	(3.7)	3.8	0.1
Tabuk Hotel Company Limited ("Tabuk")	9.0%	9.3%	3.7%	0.3	(5.5)	(5.3)
Al Nakheel Company Limited ("Alnakheel")	6.0%	6.8%	1.3%	0.8	(5.6)	(4.7)
Saudi Hotel Services Company ("SHSC")	4.9%	4.7%	4.4%	(0.2)	(0.3)	(0.5)
Makkah Hotel Company Limited ("Makkah")	2.2%	2.6%	11.2%	0.4	8.6	8.9
Nuzul Shada Hospitality Company ("Shada")	1.6%	4.1%	3.2%	2.4	(0.9)	1.5
Total	**100.0%**	**100.0%**	**100.0%**	**-**	**-**	**-**

Source: Management information

Dur Hospitality Company

Dur accounted for an average 75% of the Group's total revenue over the period under review generated from 11 properties in FY22. The Group also generated minimal revenue from its travel agency 'Karam Umrah', that serves visitors of Makkah and Madinah to facilitate all matters related to Umrah and Hajj, which commenced operations in October 2018G. Karam Umrah revenue amounted to SAR 114 thousand in FY20, and nil revenue in FY21 and FY22 due to expiration of the license during COVID-19 which is in the process of being renewed.

Dur revenue remained relatively stable at an average SAR 340.4 million over the FY20-21 period.

Dur revenue increased by 26.4% from SAR 343.3 million in FY21 to SAR 433.9 million in FY22 mainly due to (i) the improved operations across all properties with the full year impact of easing of travel restrictions and the corresponding increase in occupancy levels, (ii) an increase in average daily rates across properties, inline with the increase in overall market prices and higher demand from corporate customers, (iii) full year effect of the reinstatement of banquet and catering services, accompanied with a shift in guest behavior back to F&B services post COVID-19, and (iv) higher occupancy and annual lease rates recorded for the residential properties.

Tabuk Hotel Company Limited ("Tabuk")

The subsidiary has one property; Holiday Inn Tabuk Hotel which accounted for 3.7% of the Group's total revenue in FY22.

Tabuk revenue increased by 10.4% from SAR 39.7 million in FY20 to SAR 43.8 million in FY21 driven by an increase in F&B revenue (+SAR 764 thousand) and rental revenue (+ SAR 1.3 million) due to the full year effect of the lease of apartments outside of the hotel premises, not recorded under room revenue, which commenced in June 2020G. This was mainly associated with agreements made with the Ministry of Health and the Saudi Royal fleet throughout FY20 and FY21 which required the Group to lease out additional apartments (located outside of the hotel premises) in order to cater to the high demand received during the period. The rental agreements included full fledge of services related to housekeeping, catering, maintenance, laundry services etc. In addition, the Group recorded SR2.2m in revenue in FY21 related to rent revenue generated from the lease of unutilized land to a third party.

Tabuk revenue decreased by 51.8% from SAR 43.8 million in FY20 to SAR 21.1 million in FY21 driven by a decrease in F&B revenue (-SAR 12.7 million) and rental revenue (-SAR 12.4 million) associated with the departure of the Royal fleet and MoH in the first week of FY22, whom were provided with outside catering and full board services during their stay, while F&B revenue recorded in FY22 related mainly to the F&B outlet located in the hotel.

Al Nakheel Company Limited ("Alnakheel")

The subsidiary has one property; Makarem Al Nakheel Hotel and Resort in Jeddah which accounted for 1.3% of the Group's total revenue in FY22.

Alnakheel revenue increased by 21.5% from SAR 26.5 million in FY20 to SAR 32.2 million in FY21 mainly driven by an increase in both room and F&B revenue associated with an increase in occupancy average rates during the period. This was mainly a result of several initiatives taken by management to increase villa occupancy post COVID-19 including promotional packages, kids activities, water sports etc. which received higher customer demand as travel restrictions were still in place during FY21.

Alnakheel revenue decreased by 77.9% from SR32.2 million in FY21 to SAR 7.1m in FY22 driven by the progressive shut down of the property, with operations completely halted as of May-22 to Dec-22, for refurbishment works and the Group's decision to rebrand this property to Rixos Annakheel Jeddah in attempt to increase the occupancy of this property, which had not exceeded 50% (even prior to COVID-19). The new property is expected to be completed by Q1-24.

Saudi Hotel Services Company ("SHSC")

The subsidiary has one property; Crown Plaza Riyadh Palace Hotel which accounted for 4.4% of the Group's total revenue in FY22.

SHSC revenue remained relatively stable at an average of SAR 21.9 million over the FY20-21 period.

SHSC revenue increased by 11.4% from SAR 22.3 million in FY21 to SAR 24.8m in FY22 mainly driven by the higher demand for hospitality services which resulted in an increase in the average rates, inline with the general increase in the market prices.

Makkah Hotels Company Limited ("Makkah")

The subsidiary has one property; Makarem Ajyad Hotel in Makkah which accounted for 11.2% of the Group's total revenue in FY22, increasing from an average 2.4% over the FY20-21 period as this property was the most impacted during COVID-19 due to more strict government regulations in the Makkah region compared to other regions in KSA.

Makkah revenue increased by 24.1% from SAR 9.9 million in FY20 to SAR 12.3 million in FY21 mainly driven by the increase in occupancy following renovations and expansion work completed in FY20, and the ease of restrictions in the Makkah region.

Makkah revenue increased by 415.7% from SAR 12.3 million in FY21 to SAR 63.5 million in FY22 driven by an increase in occupancy and ADRs on the back of the full year effect of the ease of travel restrictions, and the opening up of the Makkah region with full opening of the region as of Mar-22 (Ramadan month) for local pilgrims yet a quota on the number of Hajj visitors was still applicable in FY22, and no banquet / catering services were allowed during the Hajj season.

Nuzul Shada Hospitality Company ("Shada")

The Group acquired a 60% stake in this subsidiary in March 2019G which accounted for 3.2% of the Group's total revenue in FY22.

Nuzul Shada Hospitality Company ("Shada") revenue increased by 166.3% from SAR 7.2 million in FY20 to SAR 19.3 million in FY21 driven an increase in occupancy and average rates associated with the opening of 3 properties new during the period, with the increase in revenue mainly from Dara Qurtuba, which had high demand.

Shada revenue decreased by 6.9% from SAR 19.3 million in FY21 to SAR 17.9 million in FY22 driven by a drop in average rates and occupancy due to the addition of one property in FY22, with lower rates compared to remaining properties, which resulted in an increase in the number of available room which were not instantly leased. This was slightly offset by an increase in revenue for Dara Qurtuba due to the full year effect of the property's operations and an increase in occupancy.

4.5.1.2 Hospitality revenue by type

Table 4.4: Revenue from contracts with customers for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Hospitality services-rooms	206,118	253,304	315,599	22.9%	24.6%	23.7%
Sales of goods-food and beverage	82,919	82,259	110,543	(0.8%)	34.4%	15.5%
Other hospitality revenue	31,997	12,820	10,398	(59.9%)	(18.9%)	(43.0%)
Total hospitality revenue	**321,034**	**348,383**	**436,539**	**8.5%**	**25.3%**	**16.6%**
As a percentage of total hospitality revenue						
Hospitality services-rooms	64.2%	72.7%	72.3%	8.5	(0.4)	8.1
Sales of goods-food and beverage	25.8%	23.6%	25.3%	(2.2)	1.7	(0.5)
Other hospitality revenues	10.0%	3.7%	2.4%	(6.3)	(1.3)	(7.6)
Total	**100.0%**	**100.0%**	**100.0%**	**-**	**-**	**-**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Hospitality services – rooms

Room revenue represented on average 70% of total hospitality revenue over the period under review and comprised of revenue generated from the rooms sold across the Group's hotels and aparthotels.

Room revenue increased by 22.9% from SAR 206.1 million in FY20 to SR253.3 million in FY21 mainly driven by higher occupancy across the majority of hotels, with the exception of the Riyadh Marriott Hotel which was due to the departure of MoH guests who fully occupied the for a period of 7 months in FY20 (June-20 to Dec-20), and slower pick up in corporate demand for this property.

Room revenue increased by 24.6% from SAR 253.3 million in FY20 to SAR 315.6 million in FY22, positively impacted by the full year effect of the easing of travel restrictions, and the recovery in the hospitality sector, with the majority of properties recording higher occupancy and average rates inline with the general increase in market prices.

This was partially offset by a decrease in revenue from (i) Makarem Annakheel Village (-SAR 25.1 million) as a consequence of the temporary shutdown of the property for a period of 8 months in FY22 for refurbishment works and rebranding, and (ii) Holiday Inn Tabuk Hotel (-SAR 22.7 million) following the departure of the Royal Fleet and MoH in the first week of FY22, and expansion of the property in FY22, which resulted in an increase in the number of available rooms.

Sales of goods – food and beverage

Food and beverage ("F&B") revenue represented on average 25% of total hospitality revenue over the period under review and comprised of revenue generated from (i) restaurant outlets located in the hotels and hotel lobbies, (ii) banquets related to caterings and buffets for pre-booked social events (weddings, corporate meetings, conferences and outside caterings), and (iii) room service.

Food and beverage revenue remained relatively stable at an average of SAR 82.6 million over the FY20-21 period. This was mainly driven by offerings limited to "a la carte" and no buffets as this was banned by local authorities, and a shift in guest behaviour away from F&B services during COVID-19.

Food and beverage revenue increased by 34.4% from SAR 82.3 million in FY21 to SAR 110.5 million in FY22 mainly driven by (i) increased occupancy across all properties, (ii) the lift of COVID-19 restrictions in relation to F&B services, and (iii) the reinstatement of banquet and catering services (as of Q4-21) and the hosting of several events across the Group's properties during the period.

Other hospitality revenue

Other hospitality revenue is generated from non room rental, leisure / recreation services, shop/car rental commissions, guest room internet, laundry services etc.

Other hospitality revenue decreased by 59.9% from SAR 32.0 million in FY20 to SAR 12.8 million in FY21, and further decreased by 18.9% to SAR 10.4 million in FY22 mainly related to the new rental operations for the leased apartments outside of the hotel premises in Tabuk (recorded under rental and other revenue) in connection with contracts made with the Ministry of Health and Saudi Royal fleet in FY20, who vacated the premises in the first week of FY22.

4.5.1.3 Hospitality revenue by property

Table 4.5: Revenue by hospitality property for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Riyadh Marriott Hotel	68,155	43,386	80,658	(36.3%)	85.9%	8.8%
Marriott Courtyard Hotel	31,930	37,173	49,157	16.4%	32.2%	24.1%
Marriott Executive Apartments	23,479	24,153	25,229	2.9%	4.5%	3.7%
Shada	7,229	19,255	17,927	166.3%	(6.9%)	57.5%
Total owned and operated by other	**130,793**	**123,967**	**172,972**	**(5.2%)**	**39.5%**	**15.0%**
Holiday Inn Tabuk Hotel	39,662	43,787	21,103	10.4%	(51.8%)	(27.1%)
Makarem Al Nakheel Hotel & Resort	26,539	32,234	7,139	21.5%	(77.9%)	(48.1%)
Crowne Plaza Riyadh Palace Hotel	21,576	22,251	24,786	3.1%	11.4%	7.2%
Makarem Ajyad Makkah Hotel	9,922	12,311	63,489	24.1%	415.7%	153.0%
Total owned and operated by Dur	**97,699**	**110,582**	**116,517**	**13.2%**	**5.4%**	**9.2%**
Marriott Executive Apartments DQ	37,952	39,343	43,181	3.7%	9.8%	6.7%
Marriott Hotel Diplomatic Quarter	27,850	29,054	42,781	4.3%	47.2%	23.9%
Total leased and operated by Marriott	**65,802**	**68,396**	**85,962**	**3.9%**	**25.7%**	**14.3%**
Marriott Airport	26,279	35,636	46,510	35.6%	30.5%	33.0%
Holiday Inn & Suites Jubail	347	9,800	14,564	2726.9%	48.6%	548.2%
Total leased and operated by Dur	26,626	45,436	61,074	70.6%	34.4%	51.5%
Total	**320,920**	**348,383**	**436,525**	**8.6%**	**25.3%**	**16.6%**
Other	**114**	**-**	**14**	**(100.0%)**	**Not applicable**	**(65.0%)**
Total hospitality revenue	**321,034**	**348,383**	**436,539**	**8.5%**	**25.3%**	**16.6%**
As a percentage of hospitality revenue						
Riyadh Marriott Hotel	21.2%	12.5%	18.5%	(8.8)	6.0	(2.8)
Marriott Courtyard Hotel	9.9%	10.7%	11.3%	0.7	0.6	1.3
Marriott Executive Apartments	7.3%	6.9%	5.8%	(0.4)	(1.2)	(1.5)
Shada	2.3%	5.5%	4.1%	3.3	(1.4)	1.9
Total owned and operated by other	**40.7%**	**35.6%**	**39.6%**	**(5.2)**	**4.0**	**(1.1)**
Holiday Inn Tabuk Hotel	12.4%	12.6%	4.8%	0.2	(7.7)	(7.5)
Makarem Al Nakheel Hotel & Resort	8.3%	9.3%	1.6%	1.0	(7.6)	(6.6)
Crowne Plaza Riyadh Palace Hotel	6.7%	6.4%	5.7%	(0.3)	(0.7)	(1.0)
Makarem Ajyad Makkah Hotel	3.1%	3.5%	14.5%	0.4	11.0	11.5
Total owned and operated by Dur	**30.4%**	**31.7%**	**26.7%**	**1.3**	**(5.1)**	**(3.7)**
Marriott Executive Apartments DQ	11.8%	11.3%	9.9%	(0.5)	(1.4)	(1.9)
Marriott Hotel Diplomatic Quarter	8.7%	8.3%	9.8%	(0.3)	1.5	1.1
Total leased and operated by Marriott	**20.5%**	**19.6%**	**19.7%**	**(0.9)**	**0.1**	**(0.8)**

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Marriott Airport	8.2%	10.2%	10.7%	2.0	0.4	2.5
Holiday Inn & Suites Jubail	0.1%	2.8%	3.3%	2.7	0.5	3.2
Total leased and operated by Dur	8.3%	13.0%	14.0%	4.7	0.9	5.7
Other	**0.0%**	**0.0%**	**0.0%**	**(0.0)**	**0.0**	**(0.0)**
Total hospitality revenue	**100.0%**	**100.0%**	**100.0%**	**-**	**-**	**-**

Source: Management information

* Related to religious services rendered by the Group for Mekkah tourists

Properties owned and operated by other

Revenue generated from properties owned and operated by other accounted for 39.6% of total hospitality revenue in FY22 and included Riyadh Marriott Hotel, Marriott Courtyard Hotel, Marriott Executive Apartments (all of which are operated by Marriott), and Shada (operated by Nuzul Shada Hospitality).

Revenue decreased by 5.2% from SAR 130.8 million in FY20 to SAR 124.0 million in FY21 mainly driven by a decrease in revenue for Riyadh Marriott Hotel (-SAR 24.8 million) due to (i) the departure of MoH guests who fully occupied the hotel for a period of 7 months in FY20 (from Jun-20 till Dec-20), and (ii) slow pick up in corporate demand post COVID-19 compared to other of the Group's properties, which started to pick up as of Q3-21. This was partially offset by the increase in Shada revenue (+SAR 12.1 million) driven by an increase in occupancy as a result of the opening of 3 properties during the period, with the increase in revenue mainly from the opening of Dara Qurtuba, which had high demand.

Revenue increased by 39.5% from SAR 124.0 million in FY21 to SAR 173.0 million in FY22 mainly driven by Riyadh Marriott Hotel (+SAR 37.3 million) on the back of higher occupancy and average rates recorded as a result of (i) higher demand for hospitality services, due to the full year effect of the easing of travel restrictions, and thus an increase in overall market rates, (ii) full reinstatement of banquet and catering services (as of Q4-21) where key events were hosted, and (iii) a shift in guest behaviour back to F&B services post COVID-19.

Properties owned and operated by Dur

Revenue generated from properties owned and operated by Dur accounted for 26.7% of total hospitality revenue in FY22 and included Holiday Inn Tabuk Hotel, Makarem Al Nakheel Village Hotel & Resort, Crowne Plaza Riyadh Palace Hotel, and Makarem Ajyad Makkah Hotel.

Revenue increased by 13.2% from SAR 97.7 million in FY20 to SAR 110.6 million in FY21 mainly driven by an increase from Makarem Al Nakheel Village Hotel & Resort (+SAR 5.7 million) driven by an increase in both room (+SAR 5.3 million) and F&B (+SAR 1.2 million) revenue associated with higher occupancy and average rates. This was mainly related to Management's efforts to increase occupancy post COVID-19 as they introduced promotional packages, kids activities etc. which received higher customer demand as travel restrictions were still in place during FY21; and

Holiday Inn Tabuk Hotel (+SAR 4.1 million) driven by (i) rental revenue (+SAR 1.3 million) related to the full year effect of the leasing of apartments outside of the hotel premises which commenced in June-20, and (ii) SR2.2m in revenue recorded in FY21 in relation to rent revenue generated from the lease of unutilized land in Tabuk to a third party.

Revenue increased by 5.4% from SAR 110.6 million in FY21 to SAR 116.5 million in FY22 driven by Makarem Ajyad Makkah Hotel (+SAR 51.2 million) due to an increase in occupancy and average rates on the back of the full year effect of the ease of travel restrictions and the opening up of the Makkah region, with full opening of the region as of Mar-22 (Ramadan month) for local pilgrims yet a quota on the number of Hajj visitors was still applicable in FY22.

This was partially offset by the decrease in revenue from:

1. Makarem Al Nakheel Village Hotel & Resort (-SAR 25.1 million) associated with the progressive shutdown of the property and its operations, with the property completely shutdown for a period of 8 months (May-22 to Dec-22) for refurbishments and rebranding of the property to Rixos Annakheel Jeddah, expected to be completed in Q1-24. This resulted in a decrease in occupancy and averages rates during the period; and
2. Holiday Inn Tabuk Hotel (-SAR 22.7 million) mainly associated with the departure of MoH and the Royal fleet during the first week of FY22.

Properties leased and operated by Marriott

Revenue generated from properties leased and operated by Marriott accounted for 19.7% of total hospitality revenue in in FY22 and included Marriott Executive Apartment DQ, and Marriott Hotel DQ, both of which commenced operations in March 2019G.

Revenue increased by 3.9% from SAR 65.8 million in FY20 to SAR 68.4 million in FY21, and increased further by 25.7% to SAR 86.0 million in FY22 mainly driven by Marriott Hotel DQ (+SAR 14.9 million) as a result of an increase in occupancy and average rates over the period due to the (i) increase in demand for hospitality services, in particular corporate demand as companies started transferring their headquarters to Riyadh, and the corresponding increase in overall market prices, and (ii) full reinstatement of banquet and catering services. This property, along with the Marriott Executive Apartments DQ (+SAR 5.2 million over FY20-22) exhibited the highest rates across properties due to their prime location which serve diplomats, corporates, embassies and high-profile guests.

Properties leased and operated by Dur

Revenue generated from properties leased and operated by the Group accounted for 14.0% of total hospitality revenue in FY22 and included Marriott Airport Hotel, and Holiday Inn & Suites Jubail which commenced operations in Nov-20.

Revenue increased by 70.6% from SAR 26.6 million in FY20 to SAR 45.4 million in FY21 driven by (i) Marriot Airport Hotel (+SAR 9.4 million) as a result of higher occupancy rates due to the accommodation of the Royal fleet's quarantine group who occupied 16 rooms from July-21 to Mar-22, at slightly lower average rates, and (ii) Holiday Inn and Suites Jubail (+SAR 9.5 million) driven by the ramp up and full year effect of operations which commenced in FY20.

Revenue increased by 34.4% from SAR 45.4 million in FY21 to SAR 61.1 million in FY22 mainly driven by an increase in revenue from Marriott Airport Hotel (+SAR 10.9 million) associated with the increase in corporate demand, in particular Q4-22 which showed strong growth, and full year effect of the ease in travel restrictions as well as the general increase in market rates.

Karam Umrah

Karam Umrah is a travel agency that serves visitors of Makkah and Madinah to facilitate matters related to Umrah and Hajj including the issuance of visas, flight bookings, and airport transfers among others.

Karam Umrah commenced operations in October 2018G and registered revenue amounting to SAR 114 thousand in FY20 as a result of COVID-19, and the resulting cancellation of Umrah and Hajj seasons. No revenue was recorded in the FY21 and FY22 as the license expired during COVID-19 and is currently being renewed. Karam Umrah registered revenue of SAR 4.9 million in FY19 (pre COVID-19).

4.5.1.4 Rental revenue by property

Table 4.6: Revenue by hospitality property for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compound-ed Annual Growth Rate 2020G-2022G
Darraq	95,855	97,224	99,947	1.4%	2.8%	2.1%
Awal Plaza	22,914	23,039	22,724	0.5%	(1.4%)	(0.4%)
Dur Al-Wadi Cmpd	1	1,919	4,862	164671.4%	153.4%	6361.7%
Dur Al-Sharq Cmpd	848	1,064	1,297	25.5%	21.8%	23.7%
Total	**119,618**	**123,246**	**128,830**	**3.0%**	**4.5%**	**3.8%**
As a percentage of rental revenue						
Darraq	80.1%	78.9%	77.6%	(1.2)	(1.3)	(2.6)
Awal Plaza	19.2%	18.7%	17.6%	(0.5)	(1.1)	(1.5)
Dur Al-Sharq	0.0%	1.6%	3.8%	1.6	2.2	3.8
Dur Al-Wadi	0.7%	0.9%	1.0%	0.2	0.1	0.3
Total	**100.0%**	**100.0%**	**100.0%**	**-**	**-**	**-**

Source: Management information

Rental revenue was generated from 4 properties, 3 of which are residential compounds (Darraq, Dur Al-Sharq and Dur Al-Wadi) and 1 commercial center (Awal Plaza). The majority of revenue was generated by Darraq and Awal Plaza which accounted for an average 79% and 18.5% respectively of total rental revenue over the period under review.

Rental revenue increased by 3.0% from SAR 119.6 million in FY20 to SAR 123.2 million in FY21 driven by Dur Al-Wadi (+SAR 1.9 million) following the commencement of its operations in FY21, which is a high-end residential compound with a total capacity of 66 rooms and located in a close proximity to the DQ. This was coupled with an increase in Darraq (+SAR 1.4 million) due to an increase in the average yearly lease rates following an increase in rental rates across tenants and higher occupancy recorded during the period.

Rental revenue increased by 4.5% from SAR 123.2 million in FY21 to SAR 128.8 million in FY22 mainly driven by (i) Dur Al-Wadi (+SAR 2.9 million) due to the full year effect of operations, which translated to an increase in occupancy, coupled with an increase in the average yearly lease rate over the same period, and (ii) Darraq (+SAR 2.7 million) due to a further increase in average yearly lease rates, while occupancy levels remained relatively stable.

4.5.1.5 Cost of revenue by service

Table 4.7: Consolidated cost of revenue by service for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Hospitality	327,137	360,381	376,732	10.2%	4.5%	7.3%
Rental	29,186	31,896	35,941	9.3%	12.7%	11.0%
Management fees	12,894	10,590	12,508	(17.9%)	18.1%	(1.5%)
Head office expenses	12,278	10,785	8,269	(12.2%)	(23.3%)	(17.9%)
Total	**381,495**	**413,652**	**433,449**	**8.4%**	**4.8%**	**6.6%**
As a percentage of total revenue						
Hospitality	85.8%	87.1%	86.9%	1.4	(0.2)	1.2
Rental	7.7%	7.7%	8.3%	0.1	0.6	0.6
Management fees	3.4%	2.6%	2.9%	(0.8)	0.3	(0.5)
Head office expenses	3.2%	2.6%	1.9%	(0.6)	(0.7)	(1.3)
Total	**100.0%**	**100.0%**	**100.0%**	**-**	**-**	**-**

Source: Management information

Cost of revenue increased by 8.4% from SAR 381.5 million in FY20 to SAR 413.7 million in FY21 driven by hospitality (+SAR 33.2 million) mainly in relation to higher:

1. employee costs due to (i) the absence of cost cutting initiatives adopted (these included temporary payroll reductions, vacation reductions and rescheduling) and financial support received during FY20 as a result of COVID-19, and (ii) increased outsourced labour costs following the opening of the Holiday Inn Jubail, and the hiring freeze from COVID-19 for a period of time in FY21; and
2. depreciation expense driven by (i) opening of Holiday Inn & Suites Jubail (+SAR 5.4 million) during the period, and (ii) expansion in the Shada portfolio of properties (+SAR1.5 million), and Makarem Ajyad Makkah Hotel (+SAR3.7 million).

This was partially offset by a decrease in (i) operating supplies and accessories (-SAR 10.4 million), which were higher in FY20 due to more stringent health and safety regulations in light of COVID-19 which resulted in higher consumption of consumables and at higher prices during Q2-20, the launch of the Safe Stay program, and the opening of Holiday Inn & Suites Jubail, (ii) advertising expenses due to lower marketing activity and promotions, and (iii) one-off expenses recorded in FY20 related to pre operating expenses for Holiday Inn & Suites Jubail and an inventory write-off in relation to the Crown Plaza Riyadh Palace Hotel.

Cost of revenue increased by 4.8% from SAR 413.7 million in FY21 to SAR 433.4 million in FY22 driven by hospitality (+SAR 16.4 million) as a result of an increase in employee costs associated with (i) higher average salaries paid to employees due to promotions and increments provided during the year following a revision to salary scheme and improved operations, and (ii) higher reliance on outsourced labour (+SAR 7.1 million), due to the increase in operations across properties, and in particular the reinstatement of F&B outlets, given that outsourced labour are utilized for banquet, kitchen, housekeeping and laundry services. According to Management, they expect to continue to rely on outsourced labour for certain roles, which helps the Group benefit during slower periods. However, this will decrease in FY23 as Management plans to hire more inhouse staff to accommodate the expected increase in operations going forward.

4.5.1.6 Cost of revenue by component

Table 4.8: Consolidated cost of revenue by component for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Salaries and benefits	116,673	159,567	174,518	36.8%	9.4%	22.3%
Depreciation of property and equipment and right of use of assets	100,730	112,437	112,895	11.6%	0.4%	5.9%
Food and beverage	25,841	30,120	33,700	16.6%	11.9%	14.2%
Operating supplies	53,837	43,433	37,542	(19.3%)	(13.6%)	(16.5%)
Utilities	22,226	26,848	26,373	20.8%	(1.8%)	8.9%
Advertising and promotion activities	18,612	12,393	14,367	(33.4%)	15.9%	(12.1%)
Service and operation fees	18,659	8,758	12,968	(53.1%)	48.1%	(16.6%)
Repair and maintenance	13,668	12,249	11,707	(10.4%)	(4.4%)	(7.5%)
Pre-opening expenses	2,444	-	-	(100.0%)	Not applicable	Not applicable
Commission for travelling agency and credit cards	1,894	5,647	6,112	198.1%	8.2%	79.6%
Allowance for slow moving inventory	1,750	-	-	(100.0%)	Not applicable	Not applicable
Security and guarding	477	714	272	49.6%	(62.0%)	(24.6%)
Other	4,683	1,485	2,994	(68.3%)	101.7%	(20.0%)
Total	**381,495**	**413,652**	**433,449**	**8.4%**	**4.8%**	**6.6%**
As a percentage of revenue						
Salaries and benefits	26.4%	33.7%	30.7%	7.3	(3.0)	4.3
Depreciation of property and equipment and right of use of assets	22.8%	23.8%	19.9%	1.0	(3.9)	(2.9)
Food and beverage	5.8%	6.4%	5.9%	0.5	(0.4)	0.1
Operating supplies	12.2%	9.2%	6.6%	(3.0)	(2.6)	(5.6)
Utilities	5.0%	5.7%	4.6%	0.6	(1.0)	(0.4)
Advertising and promotion activities	4.2%	2.6%	2.5%	(1.6)	(0.1)	(1.7)
Service and operation fees	4.2%	1.9%	2.3%	(2.4)	0.4	(1.9)
Repair and maintenance	3.1%	2.6%	2.1%	(0.5)	(0.5)	(1.0)
Pre-opening expenses	0.6%	0.0%	0.0%	(0.6)	Not applicable	Not applicable
Commission for travelling agency and credit cards	0.4%	1.2%	1.1%	0.8	(0.1)	0.6
Allowance for slow moving inventory	0.4%	0.0%	0.0%	(0.4)	Not applicable	(0.4)
Security and guarding	0.1%	0.2%	0.0%	0.1	(0.1)	(0.1)
Other	1.1%	0.3%	0.5%	(0.7)	0.2	(0.5)
Total	**86.2%**	**87.4%**	**76.3%**	**1.2**	**(11.2)**	**(10.0)**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G.

Table 4.9: KPIs for the fiscal years ended 31 December 2020G, 2021G and 2022G.

	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
No. of employees	1,509	1,368	1,334	(9.3%)	(2.5%)	(6.0%)
Avg. monthly salary per employee (SAR)	4,509	6,365	6,852	41.1%	7.6%	23.3%
Avg. monthly cost per employee (SAR)	6,443	9,720	10,902	50.9%	12.2%	30.1%

Salaries and benefits

Salaries and benefits mainly comprised basic salaries and allowances (transportation, housing, food, and schooling) in relation to direct and administrative staff serving the Group's properties, which accounted for an average 65% of total cost over the period under review.

Salaries and benefits increased by 36.8% from SAR 116.7 million in FY20 to SAR 159.6 million in FY21, and increased further by 9.4% to SAR 174.5 million in FY22 driven by:

1. an increase in the average monthly salary per employee from SAR 4.5 thousand to SAR 6.9 thousand over FY20-22 due to (i) the absence of cost cutting initiatives adopted in FY20 in light of the pandemic and the associated drop in operations, which included salary reductions for c.240 employees for the months of May to December which ranged between 5%-40% depending on their operational requirements (financial savings of SR3.6m), and vacation reductions by more than 70% and rescheduling of vacations (financial savings of SR9.4m), (ii) government support received in FY20 which included SANID financial support amounting to SR10.2m received for the months of April to December 2020G and supporting 70% of Saudis' salaries, and Hadaf employment support of SR1.8m, an initiative by the HRDF in connection with Saudi employees registered with the Group prior to July-19;
2. outsourced labour costs (+SAR 15.2 million), mainly related to the expansion in operations and the reinstatement of banquet and catering services with outsourced staff mainly utilized for services including housekeeping, kitchen, laundry and banquet. The Group is attempting to shift certain roles from in-house to outsourced in order to benefit from the slower periods; and
3. an increase in bonuses and incentives (+SAR 3.7 million) due to the improvement in operations, and higher bonuses recorded in FY22 (which increased as a % of revenue from 0.5% to 1.0% over FY20-22).

Depreciation of property and equipment and right of use assets

Depreciation increased at a CAGR of 5.9% from SAR 100.7 million in FY20 to an average of SAR 112.7 million over FY21-22 driven by (i) opening of Holiday Inn & Suites Jubail (+SAR 5.3 million) and Dur Al-Wadi Compound (+SAR 1.7 million) during the period, (ii) expansion in the Shada portfolio of properties (+SAR 2.9 million), Makarem Ajyad Makkah Hotel (+SAR 4.9 million), and Holiday Inn Tabuk Hotel (+SAR 1.6 million), and (iii) capex additions to Darraq (+SAR 1.4 million). This was slightly offset by a drop in depreciation across other properties with minimal capex incurred and some assets being fully depreciated.

Food and beverage

F&B costs increased by 16.6% from SAR 25.8 million in FY20 to SAR 30.1 million in FY21, and further by 11.9% to SAR 33.7 million in FY22 driven by the (i) increase in hospitality occupancy, (ii) full year effect of the reinstatement of banquet and catering services as of Q4-21, and (iii) a shift back in guest behaviour towards F&B services.

F&B costs as a % of F&B revenue averaged 33% over the FY20-22 period, with a slight increase to 37% in FY21 mainly due to the relatively stable F&B revenue over FY20-21, which was offset by higher kitchen costs associated with the stringent government regulations in relation to hygiene and the Safe Stay Program that was launched.

Operating supplies

Operating supplies relate to all operating requirements, accessories, and supplies used for the operations of the Group's properties.

Operating supplies decreased by 19.3% from SAR 53.8 million in FY20 to SAR 43.4 million in FY21, and decreased further by 13.6% to SAR 37.5 million in FY22 mainly due to higher operating expenses incurred in FY20 and FY21 as a result of (i) opening of Holiday Inn & Suites Jubail, (ii) lease of additional apartments located outside of the hotel premises in Tabuk, (iii) increased operating costs due to more stringent health and safety regulations in light of COVID-19, which resulted in higher consumption of consumables and at higher prices during Q2-20, and (iv) launching of the Safe Stay Program.

It should be noted that operating supplies expense was c.SR9m understated in FY20 as the auditor booked IT & telecom system expenses under 'service and operation fees' during the period. The lower operating costs of SAR 37.5 million recorded in FY22 (8.6% of hospitality revenue) are considered the normal level, which have reverted back to a pre COVID-19 levels (which amounted to 8.3% of total hospitality revenue in FY19).

Utilities

Utilities increased by 20.8% from SAR 22.2 million in FY20 to an average SAR 26.6 million over the FY21-22 period driven by (i) opening of Holiday Inn & Suites Jubail and Dur Al-Wadi Compound, and (ii) renovations / expansion works and increase in operations of properties.

Utilities were also lower in FY20 mainly due to (i) lower consumption associated with the lower occupancy recorded during the period, and some properties not being fully operational, and (ii) receiving a 30% discount on electricity bills for 3 months, which resulted in financial savings of SAR 934 thousand.

Advertising and promotion activities

Advertising and promotion activities decreased by 33.4% from SAR 18.6 million in FY20 to SAR 12.4 million in FY21 due to lower spending as a result of COVID-19, and the travel restrictions.

Advertising expenses increased by 15.9% to SAR 14.4 million in FY22 mainly on the back of increased operations, yet at lower levels compared to pre COVID-19 levels, with advertising expenses averaging 2.6% of revenue over FY21-22 (compared to 4.2% in FY20).

Service and operation fees

Service and operation fees relate to system / royalty, incentive, and franchise fees recorded across the Group's properties that are operated by a third party.

Service and operation fees amounted to SAR 18.7 million in FY20, which is an overstated amount as the auditor booked c.SAR 9 million of IT & telecom system expenses under this account, which were reclassified to operating supplies in FY21 and FY22.

Accordingly, services and operation fees decreased from SAR 9.6 million in FY20 to SAR 8.8 million in FY21, and increased by 48.1% to SAR 13.0 million in FY22 mainly driven by Riyadh Marriott Hotel (the Group's highest revenue generating property), which recorded no incentive fees in FY21 due to losses incurred, and total fees of SAR 3.2 million in FY22 following the improvement in operations.

Repair and maintenance

Repair and maintenance decreased by 10.4% from SAR 13.7 million in FY20 to SAR 12.2 million in FY21, and decreased further by 4.4% to SAR 11.7 million in FY22 mainly driven by the expansions and renovations that the Group undertook in FY20 following the slowdown in operations due to COVID-19.

Pre-opening expenses

Pre-opening expenses related to opening expenses for hospitality properties that commenced operations during the period under review with SAR 2.4 million recorded in FY20 related to the opening of Holiday Inn & Suites Jubail.

Commission for traveling agency for credit cards

Commissions for traveling agency and credit cards related to commissions paid to agents for reservations made online (e.g. booking.com, Agoda etc.) whereby the commissions charged are based on a % of revenue generated, which have historically ranged between 10-15% of revenue.

Commissions increased by 198.1% from SAR 1.9 million in FY20 to SAR 5.6 million in FY21, and increased further by 8.2% to SAR 6.1 million in FY22 driven by the general increase in operations of the Group's business and more demand for online bookings post COVID-19.

Allowance for slow-moving inventories

Provisions for slow moving inventories amounted to SAR 1.8 million in FY20 and mainly related to a provision recorded for the Crown Plaza Riyadh Hotel in relation to linens with old logos that were no longer usable. No provisions were recorded over FY21-22, which Management attributed to no further provision required as an inventory balance of SAR 2.7 million, related to the Crown Plaza Riyadh Hotel, that was aged over 6 years (against which no provision was historically recorded) was written off during FY20 (recorded under 'other').

Security and guarding

Security relates to outsourced security staff mainly for the compounds as the Group's hotels mostly use an in-house security team. Security expenses increased from SAR 477 thousand in FY20 to SAR 714 thousand in FY21 due to additional outsourced security staff required for the opening of the Holiday Inn Jubail. Security expenses decreased to SAR 272 thousand in FY22.

Other

Other expenses mainly related to VAT exempt expenses and other miscellaneous operating expenses, which decreased by 68.3% from SAR 4.7 million in FY20 to SAR 1.5 million in FY21 mainly due to a one-off write-off of inventory expense (SAR 2.7 million) recorded in FY20 in relation to the Crown Plaza Riyadh Palace Hotel.

Other expenses increased by 101.7% from SAR 1.5 million in FY21 to SAR 3.0 million in FY22 driven by an increase in VAT exempt expenses, and marketing expenses related to Marriott Airport.

4.5.1.7 Gross profit by service

Table 4.10: Gross profit by service for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Hospitality	(6,104)	(11,998)	59,893	96.6%	Not applicable	Not applicable
Rental	90,432	91,300	92,585	1.0%	1.4%	1.2%
Management fees	(11,226)	(9,019)	(9,262)	(19.7%)	2.7%	(9.2%)
Head office expenses	(12,278)	(10,785)	(8,269)	(12.2%)	(23.3%)	(17.9%)
Total	**60,824**	**59,498**	**134,946**	**(2.2%)**	**126.8%**	**49.0%**
Gross margins						
Hospitality	(1.6%)	(3.7%)	13.7%	(2.2)	17.5	15.3
Rental	75.6%	74.1%	72.0%	(1.5)	(2.1)	(3.6)
Management fees	(674.4%)	(574.1%)	(285.4%)	100.2	288.8	389.0
Head office expenses	(2.8%)	(2.3%)	(1.7%)	0.5	0.5	1.0
Total	**13.8%**	**12.6%**	**23.7%**	**(1.2)**	**11.2**	**10.0**

Source: Management information.

Hospitality

Hospitality gross loss increased by 2.2ppts from -1.6% in FY20 to -3.7% in FY21 mainly due to (i) higher margins recorded for rooms in the first 2 months of FY20 (pre COVID-19) compared to lower rates recorded throughout FY20 (post Q1-20) and FY21 for those properties that accommodated MoH guests during the period due to low rates charged and lower demand, (ii) higher salaries and benefits costs recorded in FY21 due to absence of cost cutting initiatives, and government financial support that was received in FY20, and (iii) lower commissions paid to travel agents for hotel bookings in FY20.

Hospitality gross margin improved by 17.5ppts to 13.7% in FY22 mainly associated with:

1. Makarem Ajyad Makkah (+146.4ppts) due to (i) higher room and F&B revenue (+SAR 52.4 million) generated during the period driven by an increase in occupancy and higher ADRs, which translated to higher fixed cost absorption of direct and administrative staff costs, and (ii) increase in other revenue (+SAR 445 thousand), related to an area around the property which the Group rents out to small shops, which records a margin of 99%. This was slightly offset by an increase in depreciation (+SAR 4.9 million over FY20-22) resulting from renovations work;
2. Marriott Courtyard (+20.2ppts) due to higher profitability recorded for F&B and associated with (i) increase in revenue and higher ADRs, which translated to higher fixed cost absorption of staff costs, (ii) resumption of banquet and catering services, which yield higher margins, (iii) decreased kitchen costs incurred during FY22 as a result of less stringent F&B regulations (and discontinuation of the Safe Stay program which was costly on the Group), and (iv) a decrease in depreciation expense (-SAR 1.7 million over FY20-22) as some assets became fully depreciated; and
3. Marriott Executive Apartments DQ and Marriott Executive Hotel DQ (collectively +14.9ppts) recorded an increase in revenue and gross margin levels on the back of (i) high ADRs recorded in FY22, resulting in higher fixed cost absorption, (ii) reinstatement of banquet and catering services, and (iii) lower administrative and marketing expenses recorded in FY22.

Rental

Rental gross margin remained relatively stable over the period under review mostly due to the stable revenue generated over the period compared to hospitality properties (revenue is more volatile), which was not impacted by COVID-19 due to the long-lease nature of agreements. Gross margins slightly decreased from an average 75% over FY20-21 to 72.0% in FY22 as a result of an increase in payroll expenses and headcount, and higher administrative and marketing expenses incurred during the period.

Management fees

Gross losses were recorded in relation to management fees mainly due to the minimal revenue generated from the residential and hospitality properties that are operated by the Group. Nonetheless, the Group records costs for all properties managed as well as properties owned / leased by the Group under two main cost centers (which are not split between properties managed vs. properties owned / leased) as follows:

1. Hotel Operations Management ("HOP") which represents the administrative and operational arm for the hotels through which the Group started their own brand "Makarem", along with their partnerships with top hotel operators Intercontinental Hotel Group ("IHG") and Marriott International Company; and
2. Property & Facilities Management ("PMFM") which represents the administrative and operational arm for the residential real estate and property management, in connection with Dur Communities and Darraq, through which operational, maintenance, cleanliness, and security services are provided.

Head office expenses

Head office expenses are mainly related to the Group's teams looking over the residential properties, projects under renovations, procurement activities, in addition to staff housing expenses, and other head office expenses related to depreciation, marketing etc.

4.5.1.8 General and administrative expenses

Table 4.11: Consolidated general and administrative expenses for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Salaries and benefits	19,384	19,088	23,950	(1.5%)	25.5%	11.2%
Professional fees	9,380	2,060	2,792	(78.0%)	35.5%	(45.4%)
Provision for expected credit losses charged for the year	6,402	(734)	4,817	(111.5%)	(756.2%)	(13.3%)
Depreciation of property and equipment	4,230	2,110	1,322	(50.1%)	(37.3%)	(44.1%)
Board of Directors remuneration	3,150	3,774	3,896	19.8%	3.2%	11.2%
Subscriptions	1,780	2,788	2,760	56.7%	(1.0%)	24.5%
Hospitality	840	468	1,032	(44.3%)	120.6%	10.8%
Others	8,432	1,737	1,896	(79.4%)	9.1%	(52.6%)
Total	**53,596**	**31,292**	**42,465**	**(41.6%)**	**35.7%**	**(11.0%)**
As a percentage of revenue						
Salaries and benefits	4.4%	4.0%	4.2%	(0.3)	0.2	(0.2)
Professional fees	2.1%	0.4%	0.5%	(1.7)	0.1	(1.6)
Provision for expected credit losses charged for the year	1.4%	(0.2%)	0.8%	(1.6)	1.0	(0.6)
Depreciation of property and equipment	1.0%	0.4%	0.2%	(0.5)	(0.2)	(0.7)
Board of Directors remuneration	0.7%	0.8%	0.7%	0.1	(0.1)	(0.0)

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Subscriptions	0.4%	0.6%	0.5%	0.2	(0.1)	0.1
Hospitality	0.2%	0.1%	0.2%	(0.1)	0.1	(0.0)
Others	1.9%	0.4%	0.3%	(1.5)	(0.0)	(1.6)
Total	**12.1%**	**6.6%**	**7.5%**	**(5.5)**	**0.9**	**(4.6)**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G.

Table 4.12: KPIs for the fiscal years ended 31 December 2020G, 2021G and 2022G

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
No. of employees	56	55	51	(1.8%)	(7.3%)	(4.6%)
Avg. monthly salary per employee (SAR)	23,824	25,672	29,100	7.8%	13.4%	10.5%
Avg. monthly cost per employee (SAR)	28,845	28,922	39,134	0.3%	35.3%	16.5%

Salaries and benefits

Salaries and benefits mainly comprised basic salaries and allowances related to head office employees which accounted for an average 80% of total over the period under review.

Salaries and benefits remained relatively stable at an average of SAR 19.2 million over the FY20-21 period.

Salaries and benefits increased by 25.5% from SAR 19.1 million in FY21 to SAR 24.0 million in FY22 driven by an increase in (i) incentives (+SAR 2.5 million) as a result of the increase in operations during the period, and higher incentives paid in FY22, whereby incentives as a % of revenue increased from 0.2% in FY20 to 0.8% in FY22, and (ii) EOSB (+SAR 1.1 million) driven by the increase in avg. monthly salary per employee over the period, due to the revision in salary schemes which resulted in increments and promotions provided to staff in FY22, and the replacement of some employees in FY21, who resigned in FY20, at higher average salaries.

Professional fees

Professional fees relate to fees paid for audit and consulting services.

Professional fees decreased by 78.0% from SAR 9.4 million in FY20 to SAR 2.1 million in FY21 mainly due to one-off legal fees incurred in FY20 (amounting to SR6m) in connection with the lawsuit filed against the financial institution for the validity of the two derivatives.

Professional fees increased by 35.5% from SAR 2.1 million in FY21 to SAR 2.8 million in FY22 driven by an increase in consulting fees (+SAR 700 thousand) related to a real estate market study and legal consultation charges.

Provision for expected credit losses charged for the year

Provision for expected credit loss fluctuated over the historical period due to a reversal of SAR 734 thousand recorded in FY21 (compared to a provision of SAR 6.4 million recorded in FY20) related to (i) the Group adopting a new policy in FY21 with more aggressive terms applied on government receivables while more relaxed terms were applied on corporate, individual and special affairs receivables, and (ii) collections of bad debt made during the period, mainly related to Marriott Courtyard. Provision for expected credit loss increased to SAR 4.8 million in FY22 mainly due to a provision of SAR 2.8 million recorded for Marriott Courtyard in FY22.

Depreciation of property and equipment

Depreciation related to head office PP&E, and decreased at a CAGR of 44.1% from SAR 4.2 million in FY20 to SAR 1.3 million in FY22 due to minimal additions made during the period.

Board of directors renumeration

Board of directors' remunerations as a % of revenue averaged 0.7% over the FY20-22 period.

Subscriptions

Subscriptions relate to IT subscription fees, EDA software fees, and other fees related to Tadawul.

Subscription fees averaged 0.5% of revenue over the FY20-22 period.

Hospitality

Hospitality expenses decreased by 44.3% from SAR 840 thousand in FY20 to SAR 468 thousand in FY21 driven by travel restrictions during the period and ban of hosting of social events etc.

Hospitality expenses increased by 120.6% from SAR 468 thousand in FY21 to SAR 1.0 million in FY22 driven by the full year effect of the ease of COVID-19 restrictions, and the reinstatement of social events in the kingdom.

Others

Other expenses comprised maintenance and utilities (average of 40% of total over FY21-22), insurance (average of 20%), entertainment, recruitment, training expenses amongst others.

Other expenses decreased at a CAGR of 52.6% from SAR 8.4 million in FY20 to an average of SAR 1.8 million over FY21-22 period due to an exceptional expense incurred in FY20 (amounting to SAR 6.5 million) in connection with Zakat and VAT assessments penalties for prior periods. Other expenses as a % of revenue averaged 0.4% over the FY21-22 period.

4.5.1.9 Other income

Table 4.13: Consolidated other income for the fiscal years ended 31 December 2020G, 2021G and 2022G.

SR in thousands	Fiscal Year 2020G (Audited)	Fiscal Year 2021G (Audited)	Fiscal Year 2022G (Audited)	Annual Growth 2020G-2021G	Annual Growth 2021G-2022G	Compounded Annual Growth Rate 2020G-2022G
Consultancy expense	-	(6,975)	-	Not applicable	Not applicable	Not applicable
Income from a contractor's settlement	-	9,120	-	Not applicable	Not applicable	Not applicable
Accruals no longer required	-	5,000	2,220	Not applicable	(55.6%)	Not applicable
Reimbursement from ZATCA	-	1,799	-	Not applicable	Not applicable	Not applicable
Others, net	630	1,109	854	75.9%	(23.0%)	16.4%
Total	**630**	**10,053**	**3,074**	**1494.5%**	**(69.4%)**	**120.8%**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G.

Other income increased by 1494.5% from SAR 630 thousand in FY20 to SAR 10.1 million in FY21 driven by (i) non-recurring income recorded in FY21 related to settlements with a contractor (SR9.1m), and reimbursements from ZATCA (SR1.8m), and (ii) accruals no longer required (SR5m) pertaining to a provision that was booked in FY19 for contingent maintenance and other pre-opening expenses of the newly constructed hotels during the period, which was not consumed and accordingly, the excess provisions were reversed in FY21 and FY22. This was slightly offset by the consultancy fees SAR 7.0 million recorded in FY21 in relation to due diligence and other professional services expenses incurred as a result of proposed merger activities that was later suspended in 2022G.

Other income decreased by 69.4% from SAR 10.1 million in FY21 to SAR 3.1 million in FY22, which mainly comprised of the remaining contingent and maintenance excess provision that was no longer required (SR2.2m).

4.5.2 Consolidated Balance Sheet

Table 4.14: Consolidated Balance Sheet as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Assets			
Current assets			
Cash and cash equivalents	102,476	91,648	79,705
Trade receivables	116,941	145,241	140,709
Prepayments and other current assets	127,374	90,835	89,176
Inventories	18,820	17,106	21,775
Derivative financial instrument	16,029	10,730	110
Total current assets	**381,640**	**355,561**	**331,475**
Non-current assets			
Investment at fair value through other comprehensive income (FVOCI)	1,942	2,102	2,520
Investments in equity accounted investees	12,570	17,423	33,066
Right of use assets	279,408	229,561	202,000
Property and equipment	2,698,425	2,711,490	2,673,841
Projects under construction	124,946	95,507	175,214
Total non-current assets	**3,117,292**	**3,056,083**	**3,086,641**
Total assets	**3,498,932**	**3,411,643**	**3,418,116**
Liabilities and equity			
Current liabilities			
Trade payables	36,368	41,328	19,156
Accrued expenses and other current liabilities	165,899	157,322	159,111
Due to related parties	37,974	37,159	35,522
Term loans – current portion	209,538	292,592	171,007
Lease liabilities – current portion	29,433	43,343	34,473
Provision for zakat	13,323	13,662	11,206
Dividend payable	44,259	43,939	43,660
Derivative financial instrument	106,698	56,543	-
Total current liabilities	**643,493**	**685,888**	**474,135**
Non-current liabilities			
Term loans – non-current portion	824,367	745,511	928,786
Lease liabilities – non-current portion	356,447	302,310	296,207
Employees' terminal benefits liabilities	59,916	61,598	60,680
Total non-current liabilities	**1,240,731**	**1,109,418**	**1,285,673**
Total liabilities	**1,884,223**	**1,795,306**	**1,759,808**
Equity			
Share capital	1,000,000	1,000,000	1,000,000
Statutory reserve	500,000	500,000	500,000
Consensual reserve	143,002	-	-

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Retained earnings / (accumulated losses)	(81,636)	61,848	103,460
Revaluation reserve of investment at fair value through OCI	(5,058)	(4,898)	(4,480)
Total equity attributable to shareholders of the Parent Company	**1,556,308**	**1,556,949**	**1,598,980**
Non-controlling interests	58,400	59,388	59,328
Total equity	**1,614,709**	**1,616,337**	**1,658,308**
Total liabilities and equity	**3,498,932**	**3,411,643**	**3,418,116**

Source: The audited consolidated financial statements for the year ended 31 December 2022G

Table 4.15: KPIs as at 31 December 2020G, 2021G and 2022G

	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Average trade receivables turnover (days)	107	101	92
Average trade payable turnover (days)	105	100	76
Debt-to-equity ratio	64.0%	64.2%	66.3%

Source: Management information

Current assets

Current assets decreased from SAR 381.6 million as at 31 December 2020G to SAR 355.6 million as at 31 December 2021G due to:

1. SAR 36.5 million decrease in prepayments and other current assets in relation to advances to suppliers (-SAR 35.3 million) as a result of higher supplier advances paid for fixed asset purchases in 2020G in relation to Shada (acquired in FY19), which were subsequently capitalized;
2. SAR 10.8 million decrease in cash and cash equivalents, despite an improvement in operations and overall activity, as the Group is highly leveraged and contractually liable towards lease obligations, with the absence of material customers collections made during the period; slightly offset by
3. SAR 28.3 million increase in trade receivables, driven by the increase in operations and aged balances from special affairs customers.

Current assets further decreased to SAR 331.5 million as at 31 December 2022G due to:

1. SAR 11.9 million decrease in cash and cash equivalents, mainly driven by higher capital expenditure incurred on the new and expansionary projects; and
2. SAR 10.6 million decrease in the balance of the derivative financial instrument, in relation to the Group's Interest Rate Swap Agreements under dispute, mainly due to a decrease in the mark-to-market of the instrument attributable to the increase in interest rates.

Non-current assets

Non-current assets decreased from SAR 3,117.3 million as at 31 December 2020G to SAR 3,056.1 million as at 31 December 2021G mainly due to:

1. SAR 49.8 million decrease in right of use assets due to (i) lease adjustments of SAR 55.3 million mainly related to the Marriott Airport property (SAR 51 million) representing changes made to lease payments and terms agreed with lessor, and (ii) depreciation of SAR 14.4 million, slightly offset by additions of SAR 19.8 million mainly in connection with the Dara Qurtoba building,
2. SAR 29.4 million decrease in projects under construction as a result of transfers to property and equipment of SAR 55.6 million mainly related to the cost of renovations for Makarem Ajyad Makkah Hotel, slightly offset by additions of SAR 26.1 million mainly related to Holiday Inn Tabuk Project (SAR 9.3 million), and Makarem Annakheel Village expansion (SAR 3.7 million), amongst other projects; partially offset by
3. SAR 13.1 million increase in property and equipment due to (i) additions of SAR 64.6 million mainly related to Shada Al Salama-II building, and (ii) transfers from projects under construction amounting to SAR 55.6 million, partially offset by depreciation of SAR 100.4 million.

Non-current assets increased to SR3,086.6 million as at 31 December 2022G mainly due to:

1. SAR 79.7 million increase in projects under construction due to additions of SAR 149.8 million as at 31 December 2022G mainly related to advance payments (SAR 76.3 million) made for the Rixos and King Khalid Land (Dur Al Anoud projects), and additions to King Khalid Land (Dur Al Anoud Compound) of SAR 48.0 million, offset by (i) transfers to property and equipment of SAR 42.6 million mainly related to the expansion of the Holiday Inn Tabuk property, and (ii) recording an impairment of SAR 27.4 million in relation to 3 projects: Yanbu Courtyard and Residence Inn (SAR 13.6 million), Alhasaa Hotel & Suites (SAR 7.4 million), and Jeddah Hotel (SAR 6.3 million) that were no longer inline with the Group's strategy and Vision 2030; partially offset by
2. SAR 37.6 million decrease in property and equipment mainly due to depreciation of SAR 100.7 million, offset by relatively lower transfers from projects under construction (SAR 42.6 million) and additions (SAR 22.5 million) made during the year.

Current liabilities

Current liabilities increased from SAR 643.5 million as at 31 December 2020G to SR685.9 million as at 31 December 2021G mainly due to:

SAR 83.1 million increase in the current portion of term loans; partially offset by

SAR 50.2 million decrease in the balance of the derivative financial instrument from SAR 106.7 million as at 31 December 2020G to SAR 56.5 million as at 31 December 2021G in relation to the Group's Interest Rate Swap Agreements, mainly due to a decrease in the mark-to-market of the instrument attributable to the increase in interest rates.

Current liabilities decreased to SAR 474.1 million as at 31 December 2022G mainly due to:

1. SAR 121.6 million decrease in the current portion of term loans; and
2. SAR 56.5 million decrease in the balance of the derivative financial instrument from SAR 56.5 million as at 31 December 2021G to nil as at 31 December 2022G as one of the derivatives was called back by the financial institution during 2022G.

Non-current liabilities

Non-current liabilities decreased from SAR 1,240.7 million as at 31 December 2020G to SAR 1,109.4 million as at 31 December 2021G due to:

1. SAR 78.9 million decrease in the non-current portion of long-term loans due to settlements made during the year, and
2. SAR 54.1 million decrease in the non-current portion of lease liabilities due to lease adjustments and payments during the year.

Non-current liabilities increased to SR1,285.7 million as at 31 December 2022G driven by an increase in the non-current portion of long-term loans (+SAR 183.3 million) mainly as the Group acquired new loans to finance the construction and renovation of projects.

Equity

Total equity amounted to SAR 1,614.7 million as at 31 December 2020G and SAR 1,616.3 million as at 31 December 2021G. The Group had allocated 5% of its annual net income to a consensual reserve (to cover unexpected expenses), and decided to discontinue such transfer in 2021G, with the balance transferred to retained earnings.

Total equity increased to SR1,658.3 million as at 31 December 2022G mainly due to SAR 41.6 million increase in retained earnings related to net income of SAR 40.2 million recorded during the year.

4.5.2.1 Current assets

Table 4.16: Consolidated current assets as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Cash and cash equivalents	102,476	91,648	79,705
Trade receivables	116,941	145,241	140,709
Prepayments and other current assets	127,374	90,835	89,176
Inventories	18,820	17,106	21,775
Derivative financial instrument	16,029	10,730	110
Total current assets	**381,640**	**355,561**	**331,475**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

4.5.2.1.1 Cash and cash equivalents

Table 4.17: Consolidated cash and cash equivalents as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Bank balances	85,565	73,860	68,056
Short term deposits	16,000	17,000	11,000
Cash on hand	911	787	649
Cash and cash equivalents	102,476	91,648	79,705
Bank overdraft*	-	(20,831)	(37,125)
Cash and cash equivalents (for the consolidated statement of cash flows)	**102,476**	**70,817**	**42,580**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

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

Cash and cash equivalents amounted to SAR 79.7 million as at 31 December 2022G and comprised (i) bank balances related to current accounts with local commercial banks (SAR 68.1 million), (ii) short term deposits representing Murabaha deposits with maturity average ranging between 30 to 90 days (SAR 11.0 million), and (iii) cash on hand (SAR 649 thousand).

Cash and cash equivalents decreased from SAR 102.5 million at 31 December 2020G to SAR 79.7 million at 31 December 2022G, despite the improvement in operations and overall activity, as the Group is highly leveraged and contractually liable towards lease obligations with the absence of material collections from customers. It should be noted that during 2022G, the Group increased its investments in projects under construction which resulted in an additional decline in the balance of cash and cash equivalents as at 31 December 2022G.

Cash and cash equivalents (for the consolidated statement of cash flows) decreased from SAR 102.5 million as at 31 December 2020G to SAR 70.8 million as at 31 December 2021G mainly as a result of the use in financing activities. The balance further decreased to SAR 42.5 million largely impacted by the increase in investing activities.

4.5.2.1.2 Trade receivables

Table 4.18: Consolidated trade receivables as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Gross receivables	143,387	170,475	170,428
Expected Credit Loss (ECL)	(26,446)	(25,234)	(29,719)
Total	**116,941**	**145,241**	**140,709**
Expected Credit Loss (ECL) as a % of total	**18.4%**	**14.8%**	**17.4%**
DSO (in days)	107	101	92

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.19: Consolidated gross receivables by type as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Management information)	31 December 2021G (Management information)	31 December 2022G (Management information)
Special affairs	16,830	56,964	49,917
Corporate	17,651	30,995	40,173
Governments	54,216	25,692	31,509
Royal	8,660	9,067	8,421
Individual	9,903	7,298	8,158
Airlines	8,765	6,222	4,401
Other receivables/accrued income	27,362	34,237	27,848
Total	**143,387**	**170,475**	**170,428**

Source: Management information

Table 4.20: Consolidated movement of expected credit loss as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
At 1 January	20,044	26,446	25,234
Charge for the year	6,402	739	4,928
Recovered during the year	-	(1,473)	(111)
Bad debts written off during the year	-	(478)	(332)
At 31 December	**26,446**	**25,234**	**29,719**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.21: Consolidated ageing of trade receivables as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)		31 December 2021G (Audited)		31 December 2022G (Audited)	
	Balance	ECL	Balance	ECL	Balance	ECL
0-90 days	58,449	-	67,310	-	61,615	-
91-120 days	13,995	156	6,550	107	6,350	181
121-365 days	17,719	1,174	45,328	1,120	50,832	1,164
1-2 years	20,062	4,298	10,891	1,457	11,951	1,929
2-3 years	16,889	5,202	11,478	4,641	5,221	1,206
3-4 years	6,445	5,896	14,686	3,926	6,333	3,585
>4 years	9,829	9,720	14,233	13,902	28,126	21,655
Total	**143,387**	**26,446**	**170,475**	**25,234**	**170,428**	**29,719**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Trade receivables were mainly related to special affairs, corporate, governments, royal, individuals, and airlines.

Special affairs receivables amounted to SAR 49.9 million as at 31 December 2022G, of which SAR 13.5 million has aged over 365 days.

Special affairs receivables increased from SAR 16.8 million as at 31 December 2020G to SAR 57.0 million as at 31 December 2021G mainly due to (i) SAR 32.3 million recorded under Holiday Inn Tabuk Hotel related to the government renting out the property, in addition to apartments leased outside of the hotel premises from May 2020G onwards, and (iii) SAR 5.0 million recorded under Crowne Plaza Riyadh Palace.

Special affairs receivables decreased to SAR 49.9 million as at 31 December 2022G mainly due to collections of SAR 7.5 million made in relation to receivables for Holiday Inn Tabuk Hotel.

Corporate receivables mainly related to the Group's agreements with certain corporations / companies to host guests and employees at the properties at agreed upon rates.

Corporate receivables increased from SAR 17.7 million as at 31 December 2020G to SAR 31.0 million as at 31 December 2021G due to a collective increase in receivables across corporate customers, mainly from Riyadh Mariott Hotel (which contributed to c.32% of the overall increase), and Holiday Inn Tabuk Hotel and Marriott Hotel DQ (which collectively contributed to c.31%).

Corporate receivables further increased to SAR 40.2 million as at 31 December 2022G driven by an increase in corporate demand, with the increase in receivables mainly coming from 2 customers (+ SAR 5.4 million).

Government receivables amounted to SAR 31.5 million as at 31 December 2022G, of which SAR 15.0 million has aged over 365 days.

Government receivables decreased from SAR 54.2 million as at 31 December 2020G to SAR 25.7 million as at 31 December 2021G mainly due to (i) collections of SAR 20.3 million from the Ministry of Health in relation to their occupancy of the Riyadh Marriott Hotel (quarantined guests) during 2020G, (ii) collections of SAR 4.1 million from the Ministry of Health in relation to their occupancy of the Crowne Plaza Riyadh Palace Hotel (-SAR 3.3 million) during 2020G, and (iii) collections of SAR 3.5 million from King Faisal hospital & research centre which rents villas in the Darraq complexes for its staff.

Government receivables increased to SAR 31.5 million as at 31 December 2022G mainly from Royal Protocol (+SAR 3.5 million) and the US Army (+SAR 3.5 million).

Royal receivables relate to government personnel and amounted to SAR 8.4 million as at 31 December 2022G, mainly comprised of (i) Makarem Annakheel Village (SAR 4.8 million), out of which SAR 4.4 million were aged over 5 years, and (ii) Darraq (SAR 2.3 million), out of which SAR 892 thousand were aged over 365 days.

Individuals mainly relate to rental receivables for the Darraq units, which amounted to SAR 8.2 million as at 31 December 2022G.

Airlines receivables amounted to SAR 4.4 million as at 31 December 2022G and related to the hosting of airline crew members. The balance at 31 December 2022G mainly comprised receivables from British Airways crew staying at Riyadh Marriott Hotel, and Saudi Gulf Airlines crew staying at Marriott Airport, which collectively amounted to SAR 2.5 million.

Other receivables/accrued income represented receivables from various properties, which were not allocated to specific customers by Management.

Expected credit loss (ECL) amounted to SAR 29.7 million as at 31 December 2022G and computed using the Expected Credit Loss (ECL) model. The Group modified its provisioning policy and the allocated provision % by customer type in the financial year 2021G. In addition, the Group wrote off receivables amounting to SAR 478 thousand and SAR 332 thousand in 2021G and 2022G, respectively, and recovered receivables amounting to SAR 1.5 million and SAR 111 thousand in 2021G and 2022G, respectively.

4.5.2.1.3 Prepayments and other current assets

Table 4.22: Consolidated prepayments and other current assets as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Advance for rent	58,819	58,819	58,819
Prepayments	9,605	9,054	6,360
Contract assets	3,846	5,769	6,192
Amounts due from related parties	2,368	2,638	4,442
Advances to suppliers	37,327	2,034	3,759
Advances to employees	2,978	3,310	3,271
Advances for real estate projects	5,384	1,796	1,796
Others	7,048	7,415	4,537
Total	**127,374**	**90,835**	**89,176**

Note: Due to reclassification of certain accounts in the 2022G financial statements, management provided us with the breakdown for the period ended 31 December 2020G so it is comparable to the periods ended 31 December 2021G and 31 December 2022G

Source: The audited consolidated financial statements for the year ended 31 December 2022G

Prepayments and other current assets amounted to SAR 89.2 million as at 31 December 2022G and mainly comprised advance for rent (SAR 58.8 million), prepayments (SAR 6.4 million), and contract assets (SAR 6.2 million).

Advance for rent

Advance for rent amounted to SAR 58.8 million as at 31 December 2022G and represented a payment made to lease a hotel building (Hotel Jabal Alka'aba) in Makkah for a period of three and a half years which the Group terminated during 2020G due to non-compliance with the terms of the contract by the second party. The Group has yet to collect the amount from the lessor, with SAR 5 million collected in 2023G, and there is an ongoing legal case against the second party.

Management considers this balance fully recoverable as it is secured through collateral on the title deed of the hotel's land owner by the lessor. The fair value of the land exceeds the amount of prepayment as of 31 December 2022G.

Prepayments

Prepayments amounted to SAR 6.4 million as at 31 December 2022G and mainly comprised prepaid insurance (SAR 3.4 million) for the Group's properties, and prepaid maintenance (SAR 1.2 million) related to maintenance contracts under Marriott Riyadh Hotel and Marriot Courtyard Hotel.

Prepayments amounted to SAR 9.6 million as at 31 December 2020G, and SAR 9.1 million as at 31 December 2021G and decreased to SAR 6.4 million as at 31 December 2022G mainly due to the drop in prepaid maintenance (-SAR 2.3 million).

Contract assets

Contract assets amounted to SAR 6.2 million and related to a long-term rental contract for Awal Plaza with revenue being recognized on a straight line basis over the contract duration, for which revenue is yet to be billed. The increase in balance from SAR 3.8 million as at 31 December 2020G to SAR 6.2 million as at 31 December 2022G is due to the accumulation of revenue (which started from 2019G) which will continue to increase up to contract expiration (2031G), after which a receivable will be recorded.

Advances to suppliers

Advances to suppliers amounted to SAR 3.8 million as at 31 December 2022G and represented mainly advance payments to contractors out of which c.35% related to Riyadh Mariott Hotel and c.25% related to Shada. Advances to suppliers amounted to SAR 37.3 million as at 31 December 2020G mainly due to advances for purchases of fixed assets related to Nuzul Shada Hospitality Company amounting to SAR 31.9 million, which were subsequently capitalized during 2021G.

Advances to employees

Advances to employees amounted to SAR 3.3 million as at 31 December 2022G and represented prepaid housing allowance for employees, and to a lesser extent advances on salaries that are repaid back in instalments.

Advances for real estate projects

Advances for real estate projects amounted to SAR 1.8 million as at 31 December 2022G and represented an advance payment for the Group's share in a real estate investment for a land. The balance decreased from SAR 5.4 million as at 31 December 2020G to SAR 1.8 million as at 31 December 2021G and 31 December 2022G due to a collection of a portion of the amount during the period.

Others

Other prepayments and current assets amounted to SAR 4.5 million as at 31 December 2022G and comprised of VAT for headquarters and properties and other miscellaneous receivables.

Amounts due from related parties

Table 4.23: Consolidated due from related parties as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Al Yasmin Compound	1,371	1,815	2,565
Jazira Bader Compound	174	111	812
Um Al Qura Hotel	207	556	622
Makarim Al Bait Hotel	94	134	210
Dur Al-Maather Compound	491	-	-
Others	31	24	234
Total	**2,368**	**2,638**	**4,442**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

The Group's transactions with related parties are made in accordance with terms approved by management and represent management fees from the properties operated by the Group and owned by a related party. Due from related parties amounted to SAR 4.4 million as at 31 December 2022G and represented unsecured, interest free balances in connection with management fees for the properties operated by the Group which include Al Yasmin Compound, Jazira Bader Compound, Um Al Qura Hotel, Makarim Al Bait Hotel, and Dur Al-Maather Compound.

Management fees generated from the properties comprised (i) system / royalty fees for the use of the Makarem / Dur brand, set at 2% of total revenue, and (ii) incentive fees for managing and operating the property computed as a % of the adjusted operating profit which ranged between 7-11% across the different properties.

4.5.2.1.4 Inventories

Table 4.24: Consolidated inventories as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Linens	5,581	4,263	5,619
Accessories and silverware	3,636	3,355	5,525
Spares	2,772	2,704	3,050
Food and beverages	2,701	2,435	2,899
Kitchen tools and equipment	2,593	1,934	2,588
Operating supplies	1,311	2,065	1,900
Stationery and printing	868	991	834
(Less) Inventory provision	(641)	(641)	(641)
Total	**18,820**	**17,106**	**21,775**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.25: Consolidated movement in inventory provision as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
At 1 January	-	641	641
Charge for the year	1,750	-	-
Inventory written off during the year	(1,109)	-	-
At 31 December	**641**	**641**	**641**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.26: Consolidated inventory ageing as at 31 December 2022G

SR in thousands	0-90 days	91-120 days	121-180 days	181-365 days	365+ days	Total
Linens	180	356	64	1,116	3,573	5,288
Accessories and silverware	28	1,935	77	320	2,821	5,182
Spares	483	110	321	478	1,649	3,041
Food and beverages	2,771	74	23	(27)	155	2,996
Kitchen tools and equipment	(15)	21	53	(20)	2,925	2,964
Operating supplies	406	201	117	129	616	1,470
Stationery and printing	100	76	43	53	562	834
Adjustment – Crowne Plaza Riyadh Hotel*	-	-	-	-	641	641
Gross Inventories	**3,952**	**2,774**	**698**	**2,048**	**12,942**	**22,416**
Inventory provision	-	-	-	-	(641)	(641)
Net inventories	**3,952**	**2,774**	**698**	**2,048**	**12,301**	**21,775**

Source: Management information

* The breakdown provided by Management for the ageing of Crowne Plaza Riyadh Hotel was on a net level. We were not able to allocate the balance amounting to SAR 641 thousand by inventory type.

Net inventories amounted to SAR 21.8 million (gross inventories of SAR 22.4 million and inventory provision of SAR 641 thousand) as at 31 December 2022G and mainly comprised of linens (SAR 5.6 million), accessories and silverware (SAR 5.5 million), spares (SAR 3.1 million) and food and beverages (SAR 2.9 million). Operating supplies represented consumable items used in the operation of hotels such as fuel, soap, cleaning material, folios amongst other items.

Inventories are counted periodically, and expired inventory items are written off in the corresponding month. Additionally, provisions are recorded for slow moving/obsolete inventory at the end of the year on a discretionary basis.

Inventories decreased from SAR 18.8 million as at 31 December 2020G to SAR 17.1 million as at 31 December 2021G, and subsequently increased to SAR 21.8 million as at 31 December 2022G due to the increase in operations.

Inventory provision remained stable at SAR 641 thousand over the 31 December 2020G to 31 December 2022G and pertained to the Crown Plaza Riyadh Hotel in relation to linens with old logos that were no longer usable. There was an inventory balance amounting to SR2.7m (also related to the Crown Plaza Riyadh Hotel) aged over 6 years against which no provision was recorded, and this was fully written off in FY20. According to Management, no further provision was required post write-off and the current provision of SAR 641 thousand.

4.5.2.1.5 Derivative financial instrument

The current asset portion of derivative financial instrument amounted to SAR 16.0 million as at 31 December 2020G, SAR 10.7 million as at 31 December 2021G and SAR 110 thousand as at 31 December 2022G.

Please refer to the current liabilities section (4.5.2.3.8) "***Derivative financial instrument***" for further detail.

4.5.2.2 Non-current assets

Table 4.27: Consolidated non-current assets as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Investment at fair value through other comprehensive income (FVOCI)	1,942	2,102	2,520
Investments in equity accounted investees	12,570	17,423	33,066
Right of use assets	279,408	229,561	202,000
Property and equipment	2,698,425	2,711,490	2,673,841
Projects under construction	124,946	95,507	175,214
Total non-current assets	**3,117,292**	**3,056,083**	**3,086,641**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

4.5.2.2.1 Investment at fair value through other comprehensive income (FVOCI)

Table 4.28: Consolidated investment at FVOCI as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Cost at 1 January and 31 December	7,000	7,000	7,000
Fair value reserve			
At 1 January	-	(5,058)	(4,898)
Change in fair value during the year	(5,058)	159	418
Fair value reserve at 31 December	(5,058)	(4,898)	(4,480)
Fair value at 31 December	**1,942**	**2,102**	**2,520**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Investment at fair value through other comprehensive income (FVOCI) amounted to SAR 2.5 million as at 31 December 2022G and represented the Group's 2% ownership of the capital of the National Tourism Company, a limited liability company registered in the Kingdom of Saudi Arabia. During the year ended 31 December 2020G, the investment was revalued and a loss in fair value of SAR 5.1 million was recorded under other comprehensive income while a gain in fair value amounting to SAR 159 thousand and SAR 418 thousand was recorded as at 31 December 2021G and 31 December 2022G, respectively.

4.5.2.2.2 Investments in equity accounted investees

Table 4.29: Consolidated investments in equity accounted investees as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Al-Madina Tower Real Estate Company	-	6,638	26,031
Al Madinah Hotels Company Limited	4,142	4,142	4,142
Saudi Company for Heritage Hospitality	8,428	6,643	2,893
Total	**12,570**	**17,423**	**33,066**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Movement in equity accounted investees

Table 4.30: Consolidated movement of investments in equity accounted investees as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
At the beginning of the year	14,309	12,570	17,423
Additions	-	9,142	17,019
Proceeds from an associate	-	-	(3,750)
Share in net results	(1,739)	(2,505)	2,374
Impairment of an equity accounted investee	-	(1,785)	-
At the end of the year	**12,570**	**17,423**	**33,066**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Investments in equity accounted investees

Investments in equity accounted investees amounted to SAR 33.1 million as at 31 December 2022G and represented a 49% ownership in Al-Madina Tower Real Estate Company (SAR 26.0 million) which was added during 2021G, a 50% ownership in Al Madinah Hotels Company Limited (SAR 4.1 million), and a 25% ownership in Saudi Company for Heritage Hospitality (SAR 2.9 million), which is undergoing liquidation. The Group's investments in these companies are accounted for using the equity method in the consolidated financial statements.

During the year ended 31 December 2021G, the Group has recognized an impairment on Saudi Company for Heritage Hospitality amounting to SAR 1.8 million, representing the difference between the proposed liquidation proceeds and the investment carrying value. The Group also entered during 2021G into a partnership agreement with Awqaf Investment Company (the investment arm of the General Authority for Awqaf) which provides for the formation of Al-Madina Tower Real Estate Company (the associate). The associate has leased a plot of land in the central area of Madinah from the General Authority for Awqaf for the purpose of developing a 5-star hotel, which will be operated by the Group under the "Makarem Brand".

Investments in equity accounted investees amounted to SAR 12.6 million as at 31 December 2020G, and SAR 17.4 million as at 31 December 2021G and increased to SAR 33.1 million as at 31 December 2022G mainly due to additions amounting to SAR 17.0 million which represented payments made for Burj Al-Madinah project that is under construction. The Group recorded -SAR 1.7 million, -SAR 4.3 million and SAR 2.4 million as its share of net results in the income statement for the year ended 31 December 2020G, 2021G and 2022G, respectively.

4.5.2.2.3 Right of use assets

Table 4.31: Consolidated net book value of right of use assets as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Lands	51,646	49,263	46,879
Buildings	227,762	180,298	155,121
Total	**279,408**	**229,561**	**202,000**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.32: Consolidated accumulated depreciation of right of use assets as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Lands	3,327	5,711	8,095
Buildings	31,959	40,830	52,288
Total	**35,286**	**46,540**	**60,383**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Right of use assets amounted to SAR 202.0 million as at 31 December 2022G following the adoption of IFRS16. The Group applies the cost model and measures right of use assets at cost less any accumulated depreciation and accumulated impairment losses, if any, and adjusts for any re-measurement of the lease liability for lease modifications, if any.

Right of use assets comprised (i) land (SAR 46.9 million) mainly related to Darraq (SAR 18.8 million) and Holiday Inn & Suites Jubail (SAR 12.8 million), and (ii) buildings (SAR 155.1 million) mainly related to Marriott Airport (SAR 137.4 million) and Shada (SAR 17.7 million), among others.

Right of use assets decreased from SAR 279.4 million as at 31 December 2020G to SAR 229.6 million as at 31 December 2021G due to (i) lease adjustments in the amount of SAR 55.3 million mainly related to the Marriott Airport property (SAR 51 million) representing changes made to lease payments and terms agreed with the lessor, and (ii) depreciation in the amount of SAR 14.4 million, slightly offset by (iii) additions of SAR 19.8 million mainly in connection with the Dara Qurtoba building, operated by Nuzul Shada Hospitality.

The decrease in right of use assets to SAR 202.0 million as at 31 December 2022G was driven by (i) depreciation in the amount of SAR 13.8 million, and (ii) lease adjustments in the amount of SAR 13.7 million.

4.5.2.2.4 Property and equipment

Table 4.33: Consolidated net book value of property and equipment as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Buildings	1,594,242	1,597,291	1,577,996
Lands	738,423	744,073	744,073
Furniture	135,794	137,464	122,885
Machinery and equipment	105,046	108,616	106,503
Elevators and central air conditioning	76,748	74,837	72,729
Building's improvements	47,696	48,462	48,891
Motor vehicles	478	747	764
Total	**2,698,425**	**2,711,490**	**2,673,841**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.34: Consolidated accumulated depreciation of property and equipment as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Buildings	532,794	576,652	618,745
Lands	-	-	-
Furniture	243,726	265,994	276,937
Machinery and equipment	63,171	79,038	97,083
Elevators and central air conditioning	36,387	39,977	43,071
Building's improvements	89,707	93,875	105,060
Motor vehicles	6,944	7,037	6,814
Total	**972,729**	**1,062,572**	**1,147,711**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.35: Consolidated additions net of disposals of property and equipment as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Buildings	8,633	31,021	2,521
Lands	-	5,650	-
Furniture	1,433	3,514	(10,352)
Machinery and equipment	14,323	9,479	8,335
Elevators and central air conditioning	416	44	(150)
Building's improvements	2,367	3,965	6,187
Motor vehicles	129	363	(205)
Total	**27,302**	**54,035**	**6,336**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.36: Consolidated transfers from projects under construction for property and equipment as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Buildings	177,997	22,563	20,278
Lands	-	-	-
Furniture	32,516	20,425	8,195
Machinery and equipment	33,411	9,958	7,597
Elevators and central air conditioning	5,427	1,636	1,136
Building's improvements	14,000	969	5,426
Motor vehicles	-	-	-
Total	**263,352**	**55,550**	**42,632**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Buildings

Buildings net book value amounted to SAR 1,578.0 million as at 31 December 2022G and related to the buildings' cost associated with the hotels and residential complexes owned by the Group.

Buildings' cost mainly related to the Darraq complexes (SAR 483.2 million), Marriott Hotel DQ & Executive Apartments DQ (SAR 331.5 million), Riyadh Marriott Hotel (SAR 114.9 million), Makarem Ajyad Makkah Hotel (SAR 100.5 million), and Marriott Executive Apartments (SAR 99.9 million).

The increase in the net book value of buildings from SAR 1,594.2 million as at 31 December 2020G to SAR 1,597.3 million as at 31 December 2021G was mainly driven by (i) additions of SAR 30.2 million related to Shada Salama Hotel, and (ii) transfers from projects under construction which amounted to SAR 22.6 million and related the renovation of Makarem Ajyad Makkah Hotel. This was offset by depreciation of SAR 44.1 million, and the Group's re-estimation of certain cost items related to uncompleted work for the Darraq phase 5 which resulted in a decrease in net book value by SAR 6.5 million.

Subsequently, net book value decreased to SAR 1,578.0 million as at 31 December 2022G driven by depreciation of SAR 42.1 million, slightly offset by (i) transfers from projects under construction which amounted to SAR 20.3 million, related to Tabuk Holiday Inn expansion (SAR 15.1 million), Towers and Halls for Crown Plaza Riyadh Palace Hotel (SAR 3.6 million), and Awal Plaza office renovation project (SAR 1.6 million), and (ii) renovations to a villa in Makarem Annakheel Village.

Buildings are depreciated over a period ranging from 50 to 75 years.

Lands

Lands net book value amounted to SAR 744.1 million as at 31 December 2022G and comprised the lands in connection with operational properties, and other lands in connection with properties under development. Lands mainly related to Awal Plaza (SAR 205.4 million), Makarem Ajyad Makkah Hotel (SAR 69.6 million), Riyadh Marriott Hotel (SAR 52.7 million), Al Ared land (SAR 50.5 million), Jeddah Land (SAR 43.4 million), and Al Anoud Palace (SAR 43.1 million).

Lands net book value increased from SAR 738.4 million as at 31 December 2020G to SAR 744.1 million as at 31 December 2021G and 31 December 2022G following additions of SAR 5.7 million related to Al Salama Hotel.

Furniture

Furniture net book value amounted to SAR 122.9 million as at 31 December 2022G.

The increase from SAR 135.8 million as at 31 December 2020G to SAR 137.5 million as at 31 December 2021G was mainly driven by transfers from projects under construction which amounted to SAR 20.4 million and additions of SAR 7.0 million during the period, partially offset by depreciation which amounted to SAR 25.7 million.

Subsequently, net book value decreased to SAR 122.9 million as at 31 December 2022G mainly due to depreciation which amounted to SAR 24.8 million, slightly offset by transfers from projects under construction which amounted to SAR 8.2 million and additions of SAR 4.0 million during the period.

Furniture is depreciated over a period of 10 years.

Machinery and equipment

Machinery and equipment net book value amounted to SAR 106.5 million as at 31 December 2022G.

The increase in net book value from SAR 105.0 million at 31 December 2020G to SAR 108.6 million as at 31 December 2021G was mainly driven by (i) additions of SAR 13.2 million, and (ii) transfers from projects under construction which amounted to SAR 10.0 million, partially offset by depreciation of SAR 19.4 million.

Subsequently, net book value decreased to SAR 106.5 million as at 31 December 2022G mainly due to depreciation which amounted to SAR 18.9 million, against lower additions of SAR 9.3 million and transfers from projects under construction of SAR 7.6 million during the period.

Machinery and equipment are depreciated over a period of 5 years.

Elevators and central air conditioning

Elevators and central air conditioning net book value amounted to SAR 72.7 million as at 31 December 2022G.

The decrease in net book value from SAR 76.7 million as at 31 December 2020G to SAR 74.8 million as at 31 December 2021G was mainly driven by depreciation which amounted to SAR 3.6 million, partially offset by transfers from projects under construction which amounted to SAR 1.6 million.

Subsequently, net book value decreased to SAR 72.7 million as at 31 December 2022G driven by depreciation of SAR 3.5 million, partially offset by transfers from projects under construction which amounted to SAR 1.1 million.

Elevators and central air conditioning are depreciated over a period of 40 years.

Buildings' improvements

Buildings' improvements amounted to SAR 48.9 million as at 31 December 2022G.

The increase in net book value from SAR 47.7 million as at 31 December 2020G to SAR 48.5 million as at 31 December 2021G was due to (i) additions of SAR 7.3 million, and (ii) transfers from projects under construction which amounted to SAR 969 thousand, offset by depreciation of SAR 7.5 million.

Net book value remained relatively stable at an average of SAR 48.7 million over the 31 December 2021G and 31 December 2022G periods.

Buildings' improvements are depreciated over a period ranging from 5 to 10 years.

Motor vehicles

Motor vehicles amounted to SAR 478 thousand, SAR 747 thousand and SAR 764 thousand as at 31 December 2020G, 2021G and 2022G, respectively.

Motor vehicles are depreciated over a period of 4 years.

4.5.2.2.5 Projects under construction 'PUC'

Table 4.37: Consolidated movement of projects under construction as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
At 1 January	319,426	124,946	95,507
Additions during the year	68,872	26,111	149,772
Transfers to property and equipment	(263,352)	(55,550)	(42,632)
Impairment of projects under construction	-	-	(27,433)
At 31 December	**124,946**	**95,507**	**175,214**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Projects under construction represented the construction cost of new properties and renovations work of existing properties. PUC comprised contractors' costs, project management expenses, design expenses, and other miscellaneous expenses.

Projects under construction amounted to SAR 175.2 million as at 31 December 2022G and mainly comprised (i) advance payments (SAR 76.3 million) largely related to the Rixos and Dur Al Anoud projects which will later be capitalized to the corresponding project once work is delivered / completed, (ii) King Khaled Land – Dur Al Anoud Compound (SAR 52.6 million) for a new residential compound expected to be completed by Q3-23, and (iii) Rixos project (Annakheel Village expansion and rebranding) (SAR 28.2 million).

The Group cancelled 3 PUC projects in 2022G as these were no longer aligned with the Group's strategy and Vision 2030G, and accordingly impaired the entire capitalized costs of these projects (SAR 27.4 million). These projects included Yanbu Courtyard and Residence Inn (SAR 13.6 million), Alhasaa Hotel & Suites (SAR 7.4 million), and Jeddah Hotel (SAR 6.3 million).

Additions in 2020G mainly related to Holiday Inn & Suites Al Jubail, and Ajyad Makkah Hotel Renovation (SAR 19.7 million). Transfers to property and equipment amounted to SAR 263.4 million and mainly related to Holiday Inn & Suites Al Jubail (SAR 92.4 million), Marriott Airport Hotel (SAR 70.4 million), Al Wadi Residential project (SAR 42.2 million), and Tuwaiq Residential project (SAR 38.3 million).

Additions in 2021G mainly related to Holiday Inn Tabuk Project (SAR 9.3 million), Makarem Annakheel Village expansion(SAR 3.7 million), Makarem Ajyad Makkah Renovation (SAR 3.2 million), Towers and Halls Project (SAR 3.0 million), and King Khalid Land (Dur Al Anoud Compound) (SAR 2.3 million). Transfers to property and equipment amounted to SAR 55.6 million and mainly related to the cost of renovations for Makarem Ajyad Makkah Hotel.

Additions in 2022G amounted to SAR 149.8 million, primarily comprised of (i) advance payments which amounted to SAR 76.3 million and mainly related to advance payments made for the Rixos project and Dur Al Anoud projects, and (ii) additions to King Khalid Land (Dur Al Anoud Compound) of SAR 48.0 million. Transfers to property and equipment amounted to SAR 42.6 million and mainly related to (i) Holiday Inn Tabuk Hotel expansion, and Towers and Halls related to Crown Plaza Riyadh Palace Hotel, and (ii) renovations of Awal Plaza office.

4.5.2.3 Current liabilities

Table 4.38: Consolidated current liabilities as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Trade payables	36,368	41,328	19,156
Accrued expenses and other current liabilities	165,899	157,322	159,111
Due to related parties	37,974	37,159	35,522
Term loans – current portion	209,538	292,592	171,007
Lease liabilities – current portion	29,433	43,343	34,473
Provision for zakat	13,323	13,662	11,206
Dividend payable	44,259	43,939	43,660
Derivative financial instrument	106,698	56,543	-
Total current liabilities	**643,493**	**685,888**	**474,135**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

4.5.2.3.1 Trade payables

Table 4.39: Trade payables as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Dur Hospitality	33,053	34,365	16,630
Saudi Hotel Service Co. Ltd.	914	811	954
Makkah Hotels	990	908	910
Tabuk Hotels	714	4,354	395
AlNakheel Company Ltd.	646	878	277
Nuzul Shada	52	11	(9)
Total	**36,368**	**41,328**	**19,156**
DPO (in days)	105	100	76

Source: Management information

Trade payables amounted to SAR 19.2 million as at 31 December 2022G and mainly related to contractor payables, insurance providers, consumables and spare part suppliers, amongst others.

Trade payables increased from SAR 36.4 million as at 31 December 2020G to SAR 41.3 million as at 31 December 2021G mainly due to higher payables to (i) the main contractor of Marriott DQ construction (+SAR 3.3 million), and (ii) a hotel apartments property (+SAR 2.6 million) related to the owner of the apartments leased by the Group in Tabuk that were leased to the government from 2020G to accommodate for the high demand and full occupancy of the Holiday Inn Tabuk Hotel.

Trade payables decreased to SAR 19.2 million as at 31 December 2022G mainly due to (i) recording VAT receivable from ZATCA (-SAR 8.3 million), (ii) settlement of payables to the main contractor of Marriott DQ construction (-SAR 7.6 million), (iii) settlement of payables to the hotel apartments property (-SAR 2.6 million), and (iv) recording an advance to a contractor (SAR 2.0 million) in connection with the construction of a residential compound. This contractor failed to complete the project and signed a final settlement.

4.5.2.3.2 Accrued expenses and other current liabilities

Table 4.40: Consolidated accrued expenses and other current liabilities as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Contract liabilities	60,775	67,504	69,322
Accrued staff benefits	14,775	18,488	23,879
Payable to contractors	31,478	19,254	16,328
Retentions payable	23,092	14,454	15,720
Accrued financial charges	-	1,405	11,094
Accrued management and franchising fee	1,318	1,632	4,792
Accrued utilities and other services	12,900	14,913	3,600
Accrued professional fees and other services	4,092	7,758	2,530
Others	17,469	11,913	11,846
Total	**165,899**	**157,322**	**159,111**

Note: Due to reclassification of certain accounts in the 2022G financial statements, management provided us with the breakdown for the period ended 31 December 2020G so it is comparable to the periods ended 31 December 2021G and 31 December 2022G

Source: The audited consolidated financial statements for the year ended 31 December 2022G

Accrued expenses and other current liabilities amounted to SAR 159.1 million as at 31 December 2022G and mainly comprised (i) contract liabilities (SAR 69.3 million) in relation to advance payments received from tenants, (ii) accrued staff benefits (SAR 23.9 million), (iii) payables to contractors (SAR 16.3 million), (iv) retentions payable to contractors (SAR 15.7 million), and (v) accrued financial charges (SAR 11.1 million), amongst others.

Contract liabilities

Contract liabilities amounted to SAR 69.3 million as at 31 December 2022G and mainly represented advance payments for rent by tenants.

The increase from SAR 60.8 million as at 31 December 2020G to SAR 67.5 million as at 31 December 2021G is largely due to (i) higher security deposits settled in advance for in Riyadh Marriott (+SAR 2.9 million) coupled with (ii) business growth mainly in Darraq (+SAR 1.9 million) and Dur Alwadi property (+SAR 1.3 million) due to an increase in the number of units occupied by tenants.

The increase to SAR 69.3 million as at 31 December 2022G was mainly from Ajyad and Dur communities, due to business growth and higher occupancy recorded in both the Makkah and Riyadh regions.

Accrued staff benefits

Accrued staff benefits amounted to SAR 23.9 million as at 31 December 2022G and mainly comprised salaries and bonuses due to employees (SAR 14.3 million), and vacation & airfare accruals (SAR 8.7 million).

The balance increased from SAR 14.8 million as at 31 December 2020G to SAR 18.5 million as at 31 December 2021G and further to SAR 23.9 million as at 31 December 2022G mainly due to the increase in bonuses and the revision of salary scheme in 2022G, due to improved operations, which resulted in increments and promotions.

Payable to contractors

Payable to contractors amounted to SAR 16.3 million as at 31 December 2022G and represented mainly (i) contract provisions (SAR 6.1 million) related to invoices yet to be received for the projects that were transferred from PUC to property and equipment, mainly related to Darraq 4 (SAR 2.7 million), the expansion of Marriott Airport Hotel (SAR 1.5 million), amongst others, (ii) payable to a lawyer for a legal case (SAR 5.7 million) related to the financial derivatives, and (iii) zakat provisions (SAR 3.8 million) which the Group recorded for zakat settlements required by the ZATCA in connection with the Group's merger with two companies back in 2008G.

The balance decreased from SAR 31.5 million as at 31 December 2020G to SAR 19.3 million as at 31 December 2021G, and SAR 16.3 million as at 31 December 2022G due to payments made to contractors during the period.

Retentions payable

Retentions payable amounted to SAR 15.7 million as at 31 December 2022G and represented mainly refundable deposits for Darraq tenants (SAR 9.6 million) and retention due to construction contractors as per the agreed terms (SAR 5.8 million) that are settled post project completion.

Retentions payable decreased from SAR 23.1 million as at 31 December 2020G to SAR 14.5 million as at 31 December 2021G and SAR 15.7 million as at 31 December 2022G as projects were completed and retentions were paid.

Accrued financial charges

Accrued financial charges amounted to SAR 11.1m million as at 31 December 2022G and mainly related to interest payable for loans from Riyad Bank (SAR 7.4 million) and ANB (SAR 3.2 million).

Accrued financial charges increased from nil as at 31 December 2020G to SAR 1.4 million as at 31 December 2021G, as this balance was classified under 'other accrued expenses' during the period ended 31 December 2020G, and amounted to SAR 3.2 million.

The subsequent increase to SAR 11.1 million as at 31 December 2022G was mainly due to the increase in SIBOR rate and obtaining new bank borrowings.

Accrued management and franchising fee

Accrued management and franchising fee amounted to SAR 4.8 million as at 31 December 2022G and represented system and management fees accrued for Marriot International and IHG.

The balance increased from SAR 1.6 million as at 31 December 2021G to SAR 4.8 million as at 31 December 2022G mainly due to the increase in fees as a result of the improvement in operations (fees are based on a % of revenue and operating profit).

Accrued utilities and other services

Accrued utilities and other services amounted to SAR 3.6 million as at 31 December 2022G and represented general accruals (SAR 2.4 million) related to utilities and other operations such as outsourced labor contractors, accrued electricity bills (SAR 540 thousand), and accrued water bills (SAR 273 thousand), amongst others.

The balance decreased from an average SAR 13.9 million over the 31 December 2020G and 31 December 2021G period to SAR 3.6 million as at 31 December 2022G mainly as a result of a reversal of accruals for the Marriott Executive Apartments DQ (which resulted in a decrease of -SAR 5.7 million between 2021G and 2022G), and Marriott Hotel DQ (-SAR 4.2 million) in 2022G in connection with a reversal of an accrual recorded in 2021G related to the RCRC fees imposed for the DQ properties, which according to Management were waived during the period.

Accrued professional fees and other services

Accrued professional fees and other services amounted to SAR 2.5 million as at 31 December 2022G and represented accruals for advertising (SAR 1.7 million) and audit fees (SAR 820 thousand).

The balance averaged SAR 4.8 million over the period under review.

Others

Other accrued expenses amounted to SAR 11.8 million as at 31 December 2022G mainly in connection with accruals for guest ledgers (SAR 4.8 million), VAT (SAR 3.0 million), municipality and tobacco tax (SAR 3.0 million), amongst other accruals.

The balance decreased from SAR 17.5 million as at 31 December 2020G to SAR 11.8 million as at 31 December 2022G, mainly related to a decrease in VAT receivables, in addition to reclassification of certain accounts to be presented separately as of FY21.

4.5.2.3.3 Due to related parties

Table 4.41: Consolidated due to related parties as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Al Jazira and Dawudia Compounds	18,460	18,460	18,460
Al Madinah Hotels Company Limited	14,651	14,651	14,651
Al Rawda Residence Compound	2,337	2,086	1,776
Al Andalus Residence Compound	849	434	299
Others	1,676	1,527	336
Total	**37,974**	**37,159**	**35,522**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Due to related parties amounted to SAR 35.5 million as at 31 December 2022G and represented unsecured, interest free balances relating mainly to Al Jazira and Dawudia Compounds (SAR 18.5 million) and Al Madinah Hotels Company Limited (SAR 14.7 million); with both of these balances outstanding for over 3 years.

Al Jazira and Dawudia Compounds is a business units of Al Madinah Hotels Company limited, and the latter is under a liquidation process. As such, Management withheld the settlement of the outstanding amount until the liquidation is finalized.

Al Rawdah Residence Compound (SAR 1.8 million), Al Andalus Residence Compound (SAR 299 thousand), and Makarem Mina Hotel (SAR 275 thousand), recorded under 'others', are properties operated by the Group.

4.5.2.3.4 Term loans – current portion

Current portion of term loans amounted to SAR 171.0 million as at 31 December 2022G and represented principal settlements of term loans over the next year and a bank overdraft acquired for the settlement of the derivative instruments. Please refer to the "***Term loans***" section under non-current liabilities for further detail.

4.5.2.3.5 Lease liabilities – current portion

The current portion of lease liabilities are represented by the principal amount payable during the year, in addition to any payable interest and amounted to SAR 34.5 million as at 31 December 2022G. Please refer to the "***Lease liabilities***" section under non-current liabilities for further detail.

4.5.2.3.6 Provision for zakat

Table 4.42: Consolidated zakat movement as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
At the beginning of the year	13,169	13,323	13,662
Provided during the year	7,579	9,312	4,575
Payments made during the year	(7,425)	(8,973)	(7,032)
At the end of the year	**13,323**	**13,662**	**11,206**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

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

Provision for zakat amounted to SAR 11.2 million as at 31 December 2022G and related to Zakat provisions recorded in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA") relating to the entities incorporated in the Kingdom of Saudi Arabia.

Provision for zakat decreased from an average of SAR 13.5 million over the 31 December 2020G and 31 December 2021G periods to SAR 11.2 million as at 31 December 2022G.

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

The zakat status of the Group for the years up to 2018G has been finalized, with the exception of the amount of SAR 861 thousand, which is related to the year 2015G and the Group objected to the revised assessment raised by the ZATCA. The General Secretariat of the Committees ("GSTC") accepted the Group's objections for an amount of SAR 0.62 million and rejected an amount of SAR 0.25 million. In May 2022G, ZATCA appealed to against GSTC decision. The Company has submitted its response to Appeal Committee for Tax Violations and Disputes Resolution ("ACTVDR") and the outcome has not been finalized yet.

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

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

4.5.2.3.7 Dividend payable

On 18 February 2020G, the Board of Directors recommended cash dividends of SAR 50 million (SAR 0.50 per share) for the year ended 31 December 2019G, which was approved at the General Assembly in its meeting held on 26 April 2020G.

Dividends payable amounted to SAR 43.9 million as at 31 December 2021G and SAR 43.7 million as at 31 December 2022G and represented amounts due to shareholders for dividends in prior years that were not claimed.

The Group paid SAR 53.0 million, SAR 320 thousand, and SAR 279 thousand in dividends in the financial years 2020G, 2021G and 2022G, respectively.

4.5.2.3.8 Derivative financial instrument

Table 4.43: Consolidated fair value of the derivative financial instruments as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Positive fair value	16,029	10,730	110
Negative fair value	(106,698)	(56,543)	-

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Table 4.44: Amounts recognized in the consolidated statement of income for the derivative financial instruments as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Changes in fair value, net		44,857	45,922
Amounts realized during the year, net		(28,479)	(13,279)
Net gain on derivative instruments at FVTPL		**16,378**	**32,643**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Note: The audited consolidated financial statements for the year ended 31 December 2022G did not include a restated consolidated income statement for the year ended 31 December 2020G similar to the restated consolidated statement of financial position for the year ended 31 December 2020G

The current liability portion of the derivative financial instruments amounted to SAR 106.7 million as at 31 December 2020G, SAR 56.5 million as at 31 December 2021G and nil as at 31 December 2022G.

Derivative financial instruments related to two Interest Rate Swap agreements entered with a local financial institution. The derivatives carried an original maturity of December 2024G with one of the instruments being called back by the financial institution on 10 December 2022G. The Group is currently disputing the validity of the agreements and filed two lawsuits, with the latest one being on 10 March 2022G before the Committee of Banking and Financial Disputes and Violations. The new lawsuit has not yet concluded, and the potential outcome cannot be reasonably estimated at the date of reporting.

Derivative financial instruments, net amounted to –SAR 90.7 million, – SAR 45.8 million and SAR110 thousand as at 31 December 2020G, 31 December 2021G, and 31 December 2022G.

4.5.2.4 Non-current liabilities

Table 4.45: Consolidated non-current liabilities as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Term loans – non-current portion	824,367	745,511	928,786
Lease liabilities – non-current portion	356,447	302,310	296,207
Employees' terminal benefits liabilities	59,916	61,598	60,680
Total non-current liabilities	**1,240,731**	**1,109,418**	**1,285,673**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

4.5.2.4.1 Term loans – non-current portion

Table 4.46: Consolidated term loans as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Term loans – current portion	209,538	271,761	133,882
Bank overdraft	-	20,831	37,125
Current borrowings	209,538	292,592	171,007
Term loans – non-current portion	824,367	745,511	928,786
Total	**1,033,905**	**1,038,103**	**1,099,794**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Term loans

The Group has secured term loans in the form of Murabaha financing with a total value of SAR 1,062.7 million as at 31 December 2022G which accrue Murabaha commission at SIBOR plus agreed margin, which are equivalent to the market interest rates. These loans are secured by promissory notes, assignment of rental proceeds, negative pledge clauses amongst other covenants.

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. Based on the latest audited financial statements, the Group was compliant with the facility covenants as at 31 December 2022G.

4.5.2.4.2 Lease liabilities – non-current portion

Table 4.47: Consolidated lease liabilities as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
The carrying amounts of lease liabilities recognized and the movements during the year:			
As at 1 January	379,714	385,880	345,653
Additions	3,632	19,810	-
Lease adjustment	(3,224)	(56,348)	(13,719)
Interest	16,750	14,633	15,006
Payments	(10,991)	(18,322)	(16,009)
COVID-19 related rent concession	-	-	(251)
As at 31 December	**385,880**	**345,653**	**330,680**
Maturity analysis – contractual undiscounted payments:			
Within one year	29,433	43,343	34,473
One to five years	86,428	39,923	110,793
Later than five years	270,019	262,386	185,414
Total undiscounted lease liabilities	**385,880**	**345,653**	**330,680**
The present value of the net lease payments is as follows: lease liabilities included in the consolidated statement of financial position:			
Current portion of lease liabilities	29,433	43,343	34,473
Non-current portion of lease liabilities	356,447	302,310	296,207
Total	**385,880**	**345,653**	**330,680**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Lease liabilities

The Group adopted IFRS16 where leases are recognized as right-of-use assets against lease liabilities on the date which the leased assets become ready for use, with lease payments split between the lease liability and finance expenses. Right-of-use assets are depreciated on a straight-line basis over the useful life of the underlying asset, or the lease period and finance expenses are recognized in the profit and loss statement throughout the lease term.

Lease liabilities are initially measured at the present value of all remaining payments to the lessor, discounted using the appropriate rates. Lease liabilities amounted to SAR 330.7 million as at 31 December 2022G and related mainly to (i) lease of lands for Marriott Airport Hotel, Darraq phases 3,4, and 5, Holiday Inn & Suites Jubail and Marriott DQ hotels, and (ii) lease of buildings for Marriott Airport Hotel and Dara Serviced apartments – Qurtuba.

4.5.2.4.3 Employees' terminal benefits liabilities

Table 4.48: Consolidated EOSB movement as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Opening present value of employees' terminal benefits liabilities	62,912	59,916	61,598
Employees' terminal benefit expense	6,843	8,498	8,432
Employees' terminal benefits paid	(7,286)	(7,553)	(7,949)
Actuarial gains / (losses) on employees' terminal benefit liabilities	(2,552)	737	(1,401)
Closing present value of employees' terminal benefits liabilities	**59,916**	**61,598**	**60,680**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Short term employees' benefits

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

Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognized in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Table 4.49: EOSB's principal actuarial assumptions used for actuarial valuation purposes as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Salary increase rate	1.9%	2.4%	4.6%
Discount rate	1.9%	2.4%	4.6%
Number of employees covered under terminal benefits plan	1,354	1,280	1,202

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

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

4.5.2.5 Equity

Table 4.50: Consolidated equity as at 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Share capital	1,000,000	1,000,000	1,000,000
Statutory reserve	500,000	500,000	500,000
Consensual reserve	143,002	-	-
Retained earnings / (accumulated losses)	(81,636)	61,848	103,460
Revaluation reserve of investment at fair value through OCI	(5,058)	(4,898)	(4,480)
Total equity attributable to shareholders of the Parent Company	**1,556,308**	**1,556,949**	**1,598,980**
Non-controlling interests	58,400	59,388	59,328
Total equity	**1,614,709**	**1,616,337**	**1,658,308**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Share capital

The authorized, issued and fully paid share capital of the Group consists of 100 million shares of SAR 10 each.

Statutory reserve

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

In accordance with the Group's by-laws, the Group had allocated 5% of its annual net income to a consensual reserve. Due to transfers in prior years, the Group decided to discontinue such transfer. In December 2021G, the General Assembly has resolved to transfer SAR 143.0 million to retained earnings.

Retained earnings / (accumulated losses)

During the year ended 31 December 2022G, the Group has retrospectively processed the accounting of financial derivatives relating to the prior periods in the consolidated financial statements by restating opening balances of the prior period of the statements of shareholders equity and the comparative figures. These adjustments resulted in a net impact on equity of -SAR 83.0 million as at 1 January 2021G (from SAR1.4 million to a restated balance of -SAR 81.6 million) and -SAR 66.6 million as at 31 December 2021G.

Retained earnings increased from a balance of -SAR 81.6 million as at 31 December 2020G to a balance of SAR 61.8 million as at 31 December 2021G due to (i) transfer of consensual reserve of SAR 143.0 million, and (ii) total comprehensive income for the year of SAR 482 thousand (net income of SAR 2.2 million).

Retained earnings further increased to SR103.5 million as at 31 December 2022G due to total comprehensive income for the year of SAR 41.6 million (net income of SAR 40.2 million).

Revaluation reserve of investment at fair value through OCI

During the year ended 31 December 2020G, the Group recorded a fair value loss of SAR 5.1 million on its 2% ownership in the National Tourism Company, a limited liability company registered in the Kingdom of Saudi Arabia. The investment was revalued as at 31 December 2021G and 31 December 2022G, and a gain in fair value was recorded under other comprehensive income amounting to SAR 159 thousand and SAR 418 thousand, respectively.

Non-controlling interests

Non-controlling interest amounted to SAR 59.3 million as at 31 December 2022G and consists primarily of partners' non-controlling share in the equity of Makkah Hotels Company Limited, Alnakheel for Tourist Areas Company Limited, Tabuk Hotels Company Limited, Saudi Hotel Services Company Limited and Nuzul Shada Hospitality Company.

4.5.3 Commitments and contingencies

a. As at 31 December 2022G, the Group has entered into capital commitments of SAR 286.9 million (31 December 2021G: SAR 117.8 million, 31 December 2020G: SAR 25.6 million) related to its capital work in progress.

b. The Group has capital commitment in relation to equity accounted investees' projects under construction of SAR 49 million as at 31 December 2022G (31 December 2021G: SAR 116 million, 31 December 2020G: nil).

c. As at 31 December 2022G, the Group had issued letters of guarantee amounting to SAR 29.03 million (31 December 2021G: SAR 30.2 million, 31 December 2020G: SAR 38.9 million). These guarantees are without cash margin.

d. The Group was disputing the validity of two interest rate swap derivative agreements with a local financial institution and has accordingly not accounted for these agreements up to the period ended 31 December 2021G. In 2022G this was accounted for and restated accounts were issued for the periods ended 31 December 2020G and 31 December 2021G. The adjustment had an impact on equity through a current asset and current liability reflected, and on the income statement through gains on derivatives at fair value (refer to "***Prior period adjustments***" section below for further detail).

The Group filed two lawsuits against the financial institution, the last of which before the Committee of Banking and Financial Disputes and Violations filed in March 2022G. The new lawsuit has not yet concluded, and the potential outcome cannot be reasonably estimated at the date of reporting.

4.5.4 Consolidated Statement of Cash Flow

Table 4.51: Consolidated statement of cash flows for the years ended 31 December 2020G, 2021G and 2022G

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Income before zakat *	(44,030)	11,519	44,726
Depreciation of property and equipment	87,400	100,180	100,693
Depreciation of right of use assets	17,560	14,367	13,524
Impairment of projects under construction	-	-	27,433
Provision / (reversal) of expected credit losses for trade receivables, net	6,402	(734)	4,817
Provision of slow-moving inventory	1,750	-	-
Share in results of equity accounted investees	1,739	4,290	(2,374)
Loss/ (gain) on sale of property and equipment	(76)	(237)	96
Gain from COVID-19 related rent concession	-	-	(251)
Gain on lease liability extinguishment	-	(1,058)	-
Provision for employees' terminal benefits	6,843	8,498	8,432
Financial charges on lease liabilities	15,759	13,742	14,166
Financial charges on term loans	33,241	22,419	38,481
Gain on change in fair value of derivatives at FVTPL, net	-	(44,857)	(45,922)
Total	**126,587**	**128,128**	**203,821**
Trade receivables	17,934	(27,566)	(285)
Prepayments and other current assets	(34,272)	36,538	1,659
Inventories	2,490	1,715	(3,191)
Trade payables	(22,009)	4,960	(22,172)
Accrued expenses and other current liabilities	7,582	754	(7,899)
Due to related parties	(186)	(815)	(1,637)
Cash from operations	**98,126**	**143,713**	**170,297**

SR in thousands	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)
Zakat paid	(7,425)	(8,973)	(7,032)
Employees' terminal benefits paid	(7,286)	(7,553)	(7,949)
Net cash from operating activities	83,414	127,187	155,317
Additions to property and equipment	(29,991)	(64,643)	(22,474)
Additions to projects under construction	(67,880)	(25,220)	(146,511)
Proceeds from sale of property and equipment	76	509	488
Additional investment in equity accounted investees	-	(9,142)	(17,019)
Proceeds from investment in equity accounted investees	-	-	3,750
Net cash used in investing activities	**(97,795)**	**(98,496)**	**(181,766)**
Proceeds from / (repayment of) term loans, net	60,637	(16,634)	45,397
Dividends paid	(52,971)	(320)	(279)
Payments of lease liabilities	(10,991)	(18,322)	(16,009)
Dividends paid to non-controlling interest	(2,201)	-	-
Net change in non-controlling interest	12,297	-	-
Financial charges paid on term loans	(33,241)	(25,074)	(30,895)
Net cash used in financing activities	**(26,471)**	**(60,350)**	**(1,787)**
Net decrease in cash and cash equivalents	(40,852)	(31,660)	(28,236)
Cash and cash equivalents at the beginning of the year	135,681	102,476	70,817
Cash and cash equivalents at the end of the year	**94,828**	**70,817**	**42,580**

Source: The audited consolidated financial statements for the year ended 31 December 2021G and 2022G

Note: The information related to the consolidated statement of cash flows for the period ended 31 December 2020G was extracted from the audited consolidated financial statements for the year ended 31 December 2021G. It should be noted that the balance of cash and cash equivalents at the end of the year ended 31 December 2020G does not reconcile with the balance of cash and cash equivalents at the beginning of the year ended 31 December 2021G as the audited consolidated financial statements for the year ended 31 December 2022G did not include a restated consolidated statement of cash flows for the year ended 31 December 2020G and a restated consolidated income statement for the year ended 31 December 2020G, while the audited consolidated financial statements for the year ended 31 December 2022G included a restated consolidated statement of financial position for the year ended 31 December 2020G

Cash flows from operating activities

Operating cash flows increased from SAR 127.2 million in the year ended 2021G to SAR 155.3 million in the year ended 2022G driven by (i) an increase in EBITDA (+SAR 51.3 million) due to improved performance, and (ii) the add back of impairment of projects under construction (+SAR 27.4 million), partly offset by higher working capital requirements resulting from the decrease in trade payables (-SAR 22.2 million).

Cash flows from investing activities

Cash used in investing activities decreased from -SAR 98.5 million in the financial year 2021G to -SAR 181.8 million in the financial year 2022G mainly due to the increase in additions to projects under construction, largely related to the construction of new apartments and suites in Tabuk.

Cash flows from financing activities

Cash used in financing activities increased from -SAR 60.4 million in the financial year 2021G to -SR1.8 million in the financial year 2022G mainly due to higher proceeds from term loans, net, slightly offset by higher financial charges paid on the term loans.

4.5.5 Prior period adjustments

During the year ended 31 December 2022G, the Group has retrospectively processed the accounting of financial derivatives relating to the prior periods in the consolidated financial statements by restating opening balances of the prior period of the statements of shareholders equity and the comparative figures.

These adjustments relate to the interest rate swaps, which were not previously recorded in the financials.

The impact on the previously reported balances is summarized below:

A. Impact on equity (increase/(decrease) in equity)

Table 4.52: Impact on equity as at 1 January 2021G and 31 December 2021G

SR in thousands	1 January 2021G (Audited)	31 December 2021G (Audited)
Cash and cash equivalents	7,648	-
Derivative financial instruments	16,029	10,730
Total assets	**23,676**	**10,730**
Term loans - current portion	-	(20,831)
Derivative financial instruments	(106,698)	(56,543)
Total liabilities	**(106,698)**	**(77,374)**
Net impact on equity	**(83,021)**	**(66,643)**

Source: The audited consolidated financial statements for the year ended 31 December 2022G

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

Table 4.53: Impact on consolidated statement of profit or loss as at 31 December 2021G

SR in thousands	31 December 2021G (Audited)
Net gain on derivative instruments at FVTPL	16,378
Net impact on profit for the year	**16,378**
Attributable to:	
Equity holders of the parent	16,378
Non-controlling interests	-
Total	**16,378**

Source: The audited consolidated financial statements for the year ended 31 December 2022G

C. Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS):

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

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

D. Impact on the statement of cashflows:

Table 4.54: Impact on the statement of cashflows as at 31 December 2021G

SR in thousands	31 December 2021G (Audited)
Net cash from operating activities	(28,479)
Total	**(28,479)**

Source: The audited consolidated financial statements for the year ended 31 December 2022G

5. Legal Information

5.1 Declarations of Taiba's Directors

Taiba's Directors do hereby declare as follows:

1. The Transaction does not violate the relevant laws and regulations in the KSA.
2. The issuance of the Consideration Shares does not violate any of the substantive contracts or agreements to which Taiba is a party.
3. This Section includes all the substantial legal information related to the Transaction documents which Taiba's shareholders must take into account in order to vote in an informed manner.
4. There is no other material legal information in this Section, the omission of which would cause the other statements to become misleading.
5. Except as disclosed in Section (3.5) ("***Related Parties and Conflicted Directors***"), Taiba's independent Directors, other than related parties and conflicted Directors, acknowledge that they have no direct or indirect interest in any of Taiba's shares, Dur's shares, in its business, or in any contract concluded or to be concluded between Taiba and Dur in connection with the Transaction. They declare their full independence regarding the Transaction subject of this Circular.

5.2 Legal Information of the Transaction

5.2.1 Summary of the legal structure of the Transaction

The Transaction will be completed by offering a securities exchange transaction pursuant to Article (26) of the MARs, whereby Taiba shall acquire all Dur's shares in consideration of issuance of Consideration Shares to Dur's Shareholders by increasing Taiba's share capital pursuant to Article (75) of the ROSCOs and in accordance with the Capital Market Law, the Companies Law and their Regulations and other relevant laws and regulations in force in KSA, and based on the final exchange ratio, whereby Dur's Shareholders obtain one share in Taiba in consideration for every Dur share they hold.

The total Consideration Shares shall be one hundred million (100,000,000) shares fully paid with a nominal value per share of (10) Saudi Riyals so that the total nominal value of the Consideration Shares shall be one billion (1,000,000,000) Saudi Riyals. Such shares will be issued by way of increasing the capital of Taiba by (62.32%) from one billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (1,604,574,830) Saudi Riyals to two billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty (2,604,574,830) Saudi Riyals and increasing the number of Taiba's shares from one hundred sixty million, four hundred fifty-seven thousand, four hundred eighty-three (160,457,483) shares to two hundred sixty million, four hundred fifty-seven thousand, four hundred eighty-three (260,457,483) shares.

Upon Transaction Completion, the current Taiba's Shareholders will own (61.6%) of Taiba share capital after the capital increase and Dur's Shareholders will own (38.4%) of Taiba's share capital after the capital increase.

The total value of the Transaction will be determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is one billion (1,000,000,000) Saudi Riyals. The total market value of the Consideration Shares is two billion, nine hundred fifty million (2,950,000,000) Saudi Riyals, based on the closing price of (SAR 29.50) per Taiba's share on 15/09/1444H (Corresponding to 06/04/2023G) (which is the last trading day prior to the date of entry into the Implementation Agreement). The total value of the Consideration Shares to be recorded in the financial statements of Taiba will be determined at a later stage based on the closing price of Taiba's share at the last trading day prior to the date of Transaction Completion.

As the final Exchange Ratio is an integer, Dur's shareholders will have no fractions of shares.

The diagram below is a simplified description of the structure of Transaction:

5.2.2 Approvals Required for Transaction Completion

5.2.2.1 Government Approvals

A number of regulatory approvals must be obtained for the purposes of the Transaction Completion as follows:

a. A non-objection from the General Authority for Competition with respect to the economic concentration arising from the Transaction.

b. Approval of the Saudi Exchange (Tadawul) on the listing of the Consideration Shares on the Exchange

c. CMA approval of Taiba's Capital Increase request and publication of the Offer Document.

d. Obtaining non-objection from the Ministry of Commerce in respect of the amendments to the Bylaws of Taiba (as defined in Schedule (1) of this Circular).

e. CMA approval to convene Taiba's Transaction EGM and Dur's Transaction EGM; the date and time of EGM shall be posted on Saudi Exchange's (Tadawul) website.

All government approvals mentioned above have been obtained.

5.2.3 EGM Approval

The Transaction is also conditional upon obtaining approvals of EGMs of Taiba and Dur as follows:

a. Approval of Acquisition Resolutions with the required majority representing at least three quarters of voting rights represented in Taiba EGM.

b. Approval of Acquisition Resolutions with the required majority representing at least three quarters of voting rights represented in Dur EGM

Taiba will publish the invitation for the Transaction EGM, which shall be convened within a maximum period of twenty-eight (28) days as of the date of publishing this Circular (or any other date as may be approved by the CMA).

Taiba's EGM shall be valid if attended by shareholders representing at least half of Taiba's share capital. If the required quorum for holding this meeting is not present, a second meeting shall be held after one hour from the expiry of the time specified for holding the first meeting (provided that the first meeting invitation shall indicate that a second meeting may be held after one hour from the expiry of the time specified for holding the first meeting if the required quorum for holding this meeting is not present). The second meeting shall be valid if attended by shareholders representing at least one quarter of the capital. In case the required quorum is not met in the second meeting, Taiba shall apply to the CMA to obtain its approval to hold a third EGM. Once such approval is approved, Taiba will publish the invitation to the EGM, and the EGM will be held after a period of no less than twenty-one (21) days from the invitation publication date. The third meeting shall be valid regardless of the number of shares represented therein.

All shareholders, who are registered in Taiba's shareholder register at the end of trading day of the Transaction EGM, shall be entitled to attend the EGM. The shareholder shall be able to vote on the agenda by electronic voting pursuant to the relevant procedures in this regard. According to Article (3) (n) of the Merger and Acquisition Regulations, a shareholder that holds shares in both Taiba and Dur can only vote on the Acquisition Resolutions in the EGM of one of the companies only.

Votes in the EGMs shall be calculated on the basis of one vote per share. The shareholder who is unable to attend the EGM (via electronic voting) will lose his right to vote in the EGM and the votes associated with his shares will not be taken into consideration.

5.2.4 The Transaction Completion

Following the approval of the Acquisition Resolutions, the Acquisition Resolutions shall be effective. Then, the ownership of all the shares of Dur shall be transferred to Taiba. Dur's shares shall be delisted and Dur will be fully owned by Taiba which will, as a result, issue the Consideration Shares to Dur's shareholders listed in Dur's shareholder register by the end of second trading period following the Transaction Completion.

5.2.5 Summary of the Implementation Agreement

On 17/09/1444H (corresponding to 08/04/2023G), Taiba and Dur entered into an Implementation Agreement whereby they agreed to the terms and conditions of the Transaction and obligations of both companies in relation to the Transaction implementation. The Implementation Agreement contains warranties given by each company to the other on a reciprocal basis as well as restrictions on the conduct of business.

The Transaction is subject to the approvals of Taiba and Dur's Shareholders. As mentioned above, in Article (3) (n) of the Merger and Acquisition Regulations, a shareholder that holds shares in both Taiba and Dur can only vote on the Acquisition Resolutions in the EGM of one of the companies only. For more information on shareholders voting in the EGM, please see Section (5.2.2) ("***Approvals Required for Transaction Completion***").

5.2.5.1 Implementation Agreement Terms and Conditions

The Implementation Agreement includes a number of terms and conditions that must be met to complete the Transaction. The two companies have committed to seeking to fulfill the terms and conditions as soon as possible and to coordinate with each other in this regard. The two companies have also agreed that none of such terms and conditions may be amended or waived without a written consent from both companies. Here is a summary of those terms and conditions:

1. Obtaining all required approvals of the Capital Market Authority with respect to the Transaction.
2. Obtaining the approval of the Saudi Exchange (Tadawul) on the listing of the Consideration Shares and obtaining any other approvals that might be required with respect to the Transaction.
3. The delivery of any required notification to Securities Depository Center Company (Edaa) with respect to the Transaction
4. Obtaining a non-objection from the General Authority for Competition with respect to the Transaction, or the expiration of the applicable waiting periods under the Competition Law.
5. Obtaining any required approvals from the Ministry of Commerce in respect of the amendments to the bylaws of Taiba.
6. Obtaining the approval of the requisite majority of Taiba's shareholders on the Acquisition Resolutions.
7. Obtaining the approval of the requisite majority of Dur's shareholders on the Acquisition Resolutions.
8. No Material Adverse Event having occurred and being continuing.
9. No breach of the warranties given by Taiba and Dur under the Implementation Agreement as defined in Section (5.2.5.4) ("***Warranties***")، has occurred, unless such breach is capable of remedy and has been remedied to the reasonable satisfaction of the non-breaching party.
10. No governmental body of competent jurisdiction in Saudi Arabia having enacted, issued, promulgated, enforced or entered any order, injunction, judgment, decree or other action which is in effect and which prohibits or makes illegal the consummation of the Transaction in accordance with the Implementation Agreement.
11. Obtaining the approval of, or notifying, a number of contractual counterparties of both companies.

5.2.5.2 Restrictions on Business Conduct

The Implementation Agreement imposes an obligation on both Taiba and Dur to refrain from taking any act that may violate certain restrictions stipulated in the Implementation Agreement (which are subject to certain exceptions and limitations) that relate to the conduct of business during the period between signing the Implementation Agreement until Transaction Completion or the termination of the Implementation Agreement according the terms and conditions thereof (whichever occurs first) except with approval of the other party, which the other party may not unreasonably withhold or delay.

If either party breaches any of these restrictions, then the other party has the right to consider the breach as a Material Adverse Event (provided that such breach has an adverse material effect on the Transaction, in the reasonable assessment of the non-breaching party) and therefore terminate the Implementation Agreement under a notice to the breaching party. For further details on the provisions of the termination of the Implementation Agreement Section (5.2.5.5) ("***Termination of the Implementation Agreement***").

The restrictions related to the conduct of business stipulated in the Implementation Agreement require that neither of the two companies and members of their group act, or agree to act, in a way that would violate any of these restrictions, unless this is legally required. The following is a summary of the conduct of business requirements:

1. Limiting the business that the two companies and members of their group carry out to their ordinary course of business that is substantially consistent with their previous practices, provided that the relevant regulations are not violated in all cases.
2. Refraining from making any material amendments or alterations to the general nature or scope of the business of the company or any member of their group or conducting any new material activities.

3. In relation to the two companies (without members of their group), not to declare, make, set aside or pay any dividend or other distributions (whether in kind or cash) for any period.
4. Refraining from acquiring or disposing of any asset, entering into or amending any agreement, entering into or making a commitment, or carry out any action, in each case involving consideration, expenditure or liabilities in excess of 5% of the company's net assets (based on the latest audited annual financial statements).
5. Refraining from entering into any loan or financing arrangement, or amending any existing loan or financing arrangement, in excess of 10% of the total existing facilities as on the date of signing the Implementation Agreement.
6. Refraining from approving or proposing any share buy-back or cancellation of shares for any reason.
7. Refraining from any actions that has the effect of liquidation, dissolution or conversion of corporate form of any company or any member of its group.
8. Refraining from any change in capital or amendment in its constitutional documents.

5.2.5.3 Exceptions to Restrictions on Business Conduct

Subject to the above restrictions on business conduct, the two companies agreed to identify several exceptions to the restrictions on business conduct that allow them to carry out certain activities which will not be considered a breach of the restrictions on business conduct:

1. Taking any action, concluding any transaction or financing or carrying out any project (including the projects under development) disclosed in the action plan submitted to the other party;
2. Carrying out any expenditure related to any projects under development that are disclosed in the party's business plan, provided that the related expenditure for such projects do not exceed the aggregate amount of five hundred and fifty million Saudi Riyals during the six (6) months following the date of the Implementation Agreement.
3. In relation to Taiba, transferring part of or all the assets of Al Aqeeq Real Estate Development Co. to Taiba.
4. In relation to Dur, transferring its entire shareholding in Nuzul Shada Hospitality Company as in-kind contribution for its contemplated investment in an investment fund that will be established and managed by a licensed Capital Market Institution in KSA.
5. Taking any action disclosed to the public or specifcially disclosed to the other party before the date of the Implementation Agreement.
6. Undertaking any matter contemplated by the Implementation Agreement.

5.2.5.4 Warranties

Both Companies made several warranties under the Implementation Agreement:

1. Taiba and Dur have the requisite power and authority to enter into and perform their obligations pursuant to the Implementation Agreement.
2. The obligations arising from the Implementation Agreement are binding obligations for both parties.
3. The entry into the Implementation Agreement and fulfillment of the obligations thereunder shall not lead to:
   a. A material breach of bylaws of either party;
   b. A material breach or violation or giving any other party the right to terminate any material agreement (as defined in the Implementation Agreement) to which either company is a party or the right to amend that agreement materially except as may be disclosed to the other party.
4. All information related to the party or its group and submitted by each party to the other party in relation to the Transaction or any of them or their groups (including the information submitted through due diligence or for the purpose of preparing documents of the Transaction) was as at the date as to which it speaks true and accurate in all material respects and not misleading in any material respect.
5. No material information or any other information related to the Transaction or requested during the due diligence has been withheld by the other party.

5.2.5.5 Termination of the Implementation Agreement

The Implementation Agreement shall be terminated with immediate effect, and the rights and obligations of both parties under it shall cease (with the exception of some rights and obligations that shall survive even after termination of the Implementation Agreement, such as confidentiality and dispute resolution) in any of the following cases:

1. A written notice to terminate is given by either party to the other party following breach of the Implementation Agreement, where such breach constitutes a Material Adverse Event including the following:
   a. Breach of the obligations specified in the Implementation Agreement regarding providing and submitting the documents required under relevant laws and providing the information required to allow the other party to prepare such documents;
   b. Breach of the abovementioned business conduct restrictions (as defined in Section (5.2.5.2) ("***Restrictions on Business Conduct***") of this Circular) without obtaining the express or implicit approval from the other party according to the Agreement.
   c. Breach of any warranties submitted under the Implementation Agreement as defined in Section (5.2.5.4) ("***Warranties***").
2. Failure to satisfy the Transaction's conditions or waiving them in writing by both parties before the end of one year from the date of the execution of the Implementation Agreement, (unless agreed otherwise in writing).
3. If the Parties agree to terminate the Implementation Agreement in writing.

5.2.6 Other Agreements

Except for the non-binding MoU and the Implementation Agreement, no other material agreements are concluded between the two companies in relation to the Transaction.

5.3 Lawsuits and claims against Taiba

As of 16/03/1445H (corresponding to 01/10/2023G), Taiba and its subsidiaries are involved in a number of cases in the course of their normal business. The lawsuits filed by Taiba or Al Aqeeq Real Estate Development Co. (in their capacity as plaintiffs) are (33) cases, whereby the total amount of claim is approximately (SAR 49,646,297) (exclusive of interest and costs). In this regard, there is a counterclaim in relation to one of the above cases in which the estimated claim amount is about (SAR 61,484,648) (exclusive of interest and costs). It should be noted that these amounts are approximate since the total amount of claims under these cases may be higher or lower. It should be noted that Taiba has not made any financial provision for these cases.

A total of (8) cases with a total claim amount of about (SAR 22,497,676) were filed against Taiba and Al-Aqeeq Real Estate Development Company most of which relate to damages. It should be noted that these amounts are approximate, since the total amount of claims under these cases may be higher or lower, particularly given that the amounts claimed are not specified in some cases either to determine the continuation of the relevant contracts or for any other reasons. It should be noted that as of 30 June 2023, Taiba has provisioned about (SAR 6,671,148) in relation to cases and disputes filed against Taiba and its subsidiaries.

Taiba and some of its subsidiaries have a number of enforcement decisions which procedures have not been finalized, as Taiba is still in the process of collecting these amounts. The total amounts due thereunder are approximately (SAR 16,174,457), noting that Taiba did not make any financial provision in this regard. With regard to enforcement against Taiba and its subsidiaries, there are no enforcement decisions which have not been satisfied or are still pending.

Except as stated above, there is no lawsuit or claim (including any pending or threatened lawsuit) that could have a material effect on the business of Taiba and its subsidiaries, or its financial position.

5.4 Lawsuits and claims against Dur

As of 16/03/1445H (corresponding to 01/10/2023G), Dur is involved in a number of cases. The total number of lawsuits filed by Dur (as a plaintiff) is (13) cases. The majority of these cases relate to the collection of real estate rents, the eviction of properties, and the late payment of rents, which are usual matters in the course of Dur's business. The total amounts claimed are about (SAR 4,141,891), noting that this amount is approximate since the total amount of claims under these cases may be higher or lower, as some of these cases do not include a specific financial claim amount. It should be noted that Dur did not make any financial provision and did not write off or de-recognize any debts in connection thereof.

Dur recently settled a substantial lawsuit with a local financial institution, challenging the validity of two interest rate swap agreements. Under the settlement agreement, the local financial institution terminated one of the two interest rate swap agreements (the Saudi Riyal contract), and Dur accordingly reimbursed the full amount of profits received as a result of this agreement to the local financial institution amounting to (SAR 3,014,525.78). Dur also paid 70% of the outstanding amount resulting from the other interest rate swap agreement (USD contract), amounting to (USD 7,170,148.38), and the local financial institution bore the remaining 30% of the outstanding amount resulting from the USD contract.

In addition, Dur has obtained a number of final judgments or order instruments whose execution procedures have not been completed, as Dur is still in the process of collecting these amounts. The total amounts due thereunder to Dur are approximately (SAR 66,203,951). It should be noted that Dur did not make any financial provision for these cases and did not write off or derecognize any debts in connection thereof.

Dur confirmed to Taiba – during the due diligence studies – that there is no lawsuit or claim (including any pending or threatened lawsuit) that could have a material effect on the business of Dur and its subsidiaries, or its financial position.

For more information on risks related to legal disputes, please see Section (1.3.2) ("***Risks related to legal disputes***").

5.5 Bankruptcy

None of Taiba's Directors, senior executives, or board secretary have been subject to bankruptcy.

5.6 Insolvency

During the last five years, none of Taiba's Directors, senior executives, or board secretary have ever been appointed by any insolvent company in an administrative or supervisory position.

6. Experts' statements

The advisors mentioned in ("***Corporate Directory***") Section have given and, as at the date of this Circular, have not withdrawn their written consent to the publication of their names, addresses, logos, and the statements attributed to each of them in this Circular (as applicable). The Market Adviser does not have any shares or interest of any kind in Taiba or its subsidiaries.

7. Expenses

Taiba's costs related to the Transaction Completion are estimated at about SAR 24 million. These expenses include the fees of the Financial Advisor, the legal advisor, the financial due diligence advisor, the Market Adviser, and other advisors, in addition to the charges due to government entities, marketing expenses, printing and distribution costs and other costs related to the Transaction. It should be noted that the amount of the above costs and expenses does not include the costs related to Taiba's and Dur's business combination after the Transaction Completion, or any other costs after the Transaction Completion.

8. Exemptions

An exemption was obtained from the CMA from the requirements of Article 3(O) and Article 48 of the Merger and Acquisition Regulations, in which the shareholders who are Related Parties will be entitled to vote on the Acquisition Resolutions in the EGM of one of the companies, subject to the voting restrictions applicable to their representatives (if any) in the meeting of the board or any committee. The shareholders from the related parties pursuant to the Merger and Acquisition Regulations are (1) Public Investment Fund; (2) Mr. Ibrahim Mohammed Al-Eissa; (3) Mr. Mohammed Ibrahim Mohammed Al-Eissa; and (4) Assila Investment Company, and each will have the right to vote in the EGM of either company. For more details about related parties and their relationship, please refer to Section (3.5) ("***Related Parties and Conflicted Directors***").

An exemption was also obtained from the Capital Market Authority from the requirement of 2(b)(10) of the instructions for corporate announcements related to general assemblies, whose agenda includes changing the capital, so that a clarification will not be included in Tabia's announcement of its invitation to its EGM that the votes of related parties will not be counted during voting on Acquisition Resolutions in the EGM of the transaction, in accordance with the above exemption.

9. Documentation available for inspection.

Taiba shall make the following documentation available for inspection at its headquarters from 10 a.m. to 3 p.m. during working days from the date of publication of this Circular until EGM meeting date (which shall not be less than (14) days):

1. Dur's bylaws and articles of associate.
2. Non-Binding MoU.
3. Implementation Agreement.
4. Dur's audited financial statements for the fiscal year ending on 31 December 2022G, 2021G and 2022G, and the interim condensed unaudited consolidated financial statements for the three-month period ended 31 March 2023 and for the three and six-month periods ended 30 June 2023.
5. Taiba's unaudited pro forma condensed consolidated financial information for the fiscal year ending on 31 December 2022G for the purpose of the Transaction.
6. Valuation Report issued by the financial advisor.
7. Advisors' letters of approval of using their names, logos, and statements (as applicable) in this Circular.

Appendix (1): The proposed amendments to Taiba's Bylaws

Article No.	The Article as it is in the current bylaw	The proposed amendment to the Article
Article 7- Share Capital	The company's share capital is SAR 1,604,574,830 (one thousand six hundreds four million, five hundred seventy four thousand, eight hundred thirty Saudi riyals) divided into 160,457,483 (one hundred sixty million, four hundred fifty seven thousand, four hundred eighty-three) shares with equal nominal value of ten Saudi Riyals per each share and all are ordinary and cash shares.	The company's issued capital is set at ~~one~~ two billion, six hundred four million, five hundred seventy-four thousand, eight hundred thirty Saudi riyals (SAR 2~~1~~,604,574,830) fully paid up and divided into ~~one~~ two hundred sixty million, four hundred fifty-seven thousand, four hundred eighty-three (2~~1~~60,457,483) shares with equal value; each ~~worth~~ with nominal value of ten riyals, all of which are ordinary and cash shares.
Article 5 – Company Headquarters	The company's head office is located in Al-Madinah Al-munawarrah and the Board of Directors may establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia.	The company's head office is located in ~~Al-Madinah Al-munawarrah~~ Riyadh, and the Board of Directors may establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia.

Appendix (2): Financial Advisor's opinion submitted to Taiba's Board

J.P.Morgan

April 6, 2023

The Board of Directors
Taiba Investments Company
Building 3220, Unit no. 3, Al Madinah Al Munawwarah 42321-6122

Members of the Board of Directors:

Taiba Investments Company (the "**Offeror**") proposes to acquire the entire issued and outstanding share capital of Dur Hospitality Company (the "**Offeree**") (the "**Offer**"), such that upon completion of the Offer, the Offeree will be a wholly-owned subsidiary of the Offeror and the Offeree's shares will be de-listed from the Saudi Exchange (the "**Transaction**"). Pursuant to the offer document to be issued by the Offeror in relation to the Transaction (the "**Offer Document**") and the implementation agreement to be entered into between the Offeror and the Offeree in relation to the Transaction (the "**Implementation Agreement**"), each share in the Offeree will be exchanged for 1 share in the Offeror (the "**Exchange Ratio**").

As part of our engagement as financial adviser to the Offeror in relation to the Offer and pursuant to the terms agreed between us in an engagement letter dated December 14, 2022 (the "**Engagement Letter**"), the Offeror has requested the opinion of J.P. Morgan Saudi Arabia Company ("**J.P. Morgan Saudi Arabia Company**"), pursuant to Article 18 of the Merger and Acquisition Regulations, as to the fairness, from a financial point of view, to the Offeror of the Exchange Ratio in the proposed Transaction.

Please be advised that while certain provisions of the Offer are summarised above, the terms of the Offer are more fully described in the Offer Document. As a result, the description of the Offer and certain other information contained herein is qualified in its entirety by reference to the Offer Document. Capitalised terms used but not defined herein shall have the meanings ascribed thereto in the Offer Document.

Scope of our review

In arriving at the opinion set out below, we have, among other things: (i) reviewed the execution version dated April 6, 2023 of the Implementation Agreement; (ii) reviewed the Offer Document, the shareholder circular of the Offeror and the shareholder circular of the Offeree (together, the "**Circulars**"); (iii) reviewed certain publicly available business and financial information concerning the Offeree and the Offeror, the industries in which they operate and certain other companies engaged in businesses comparable to them; (iv) compared the proposed financial

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terms of the Offer with the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration received for such companies; (v) compared the financial and operating performance of the Offeree and the Offeror with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Offeree's shares and the Offeror's shares and certain publicly traded securities of such other companies; (vi) reviewed the audited financial statements of the Offeror and the Offeree for the fiscal years ended 31 December 2020, 2021, and 2022; (vii) reviewed certain internal, unaudited financial analyses, projections, assumptions and forecasts prepared by the managements of the Offeree and the Offeror relating to their respective businesses for the fiscal years ended 31 December 2020, 2021, and 2022; (viii) reviewed the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Transaction previously provided by the Offeror's strategic advisers, as of the date their analysis spoke; and (ix) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Offeree and the Offeror with respect to certain aspects of the Transaction, and the past and current business operations of the Offeree and the Offeror, the financial condition and future prospects and operations of the Offeree and the Offeror, the effects of the Transaction on the financial condition and future prospects of the Offeror, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by the Offeree and the Offeror or otherwise reviewed by or for us. We have not independently verified any such information or its accuracy or completeness and, pursuant to our engagement letter with the Offeror, we did not assume any obligation to undertake any such independent verification. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Offeree or the Offeror under any laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses, projections, assumptions and forecasts provided to us or derived therefrom, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management of the Offeror as to the expected future results of operations and financial condition of the Offeree and the Offeror to which such analyses, projections, assumptions or forecasts relate. We express no view as to such analyses, projections or forecasts or the assumptions on which they were based and the Offeror has confirmed that we may rely upon such analyses, projections, assumptions and forecasts in the delivery of this opinion. We have also assumed that the Transaction and the other transactions contemplated by the Implementation Agreement will have the tax consequences described in the Circulars and in discussions with, and materials furnished to us by, representatives and advisors of the Offeror, and will be consummated as described in the Implementation Agreement. We have also assumed that the representations and warranties made by the Offeror and the Offeree in the Implementation Agreement and the related agreements are and will be true and correct in all respects material to our analysis. We are not legal, regulatory, accounting or tax experts and have relied on the assessments made by advisors to the Offeror with respect to such issues. We have further assumed

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شركة جي بي مورقان العربية السعودية (شركة شخص واحد مساهمة مقفلة)، مرخصة من هيئة السوق المالية، ترخيص رقم ٣٧-١٢١٦٤، سجل تجاري رقم ١٠١٠٢٤٠٨٠١، رأس المال ٩٣,٥٧٠,٠٠٠ ر.س
صندوق بريد: ٥١٩٠٧، الرياض ١١٥٥٣ ، المملكة العربية السعودية هاتف: ٢٩٩٣٨٠٠ ١١ (٩٦٦+) فاكس: ٢٩٩٣٨٤٠ ١١ (٩٦٦+)

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that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Offeree or the Offeror or on the contemplated benefits of the Transaction. In giving our opinion, we have relied on the Offeror's commercial assessments of the Transaction. The decision as to whether or not the Offeror enters into a Transaction (and the terms on which it does so) is one that can only be taken by the Offeror.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion.

Our opinion is limited to the fairness, from a financial point of view to the Offeror of the Exchange Ratio in the proposed Transaction and we express no opinion as to the fairness of the Transaction to the holders of any class of securities, creditors or other constituencies of the Offeror or as to the underlying decision by the Offeror to engage in the Transaction. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Transaction, or any class of such persons relative to the Exchange Ratio in the Transaction or with respect to the fairness of any such compensation**.** We are expressing no opinion herein as to the price at which the Offeror's shares will trade at any future time. As a result, other factors after the date hereof may affect the value of the businesses of the Offeror and the Offeree after consummation of the Transaction, including but not limited to (i) the total or partial disposition of the share capital of the Offeror by shareholders of the Offeror within a short period of time after the effective date of the Transaction, (ii) changes in prevailing interest rates and other factors which generally influence the price of securities, (iii) adverse changes in the current capital markets, (iv) the occurrence of adverse changes in the financial condition, business, assets, results of operations or prospects of the Offeror or the Offeree, (v) any necessary actions by or restrictions of governmental agencies or regulatory authorities, and (vi) timely execution of all necessary agreements to complete the Transaction on terms and conditions that are acceptable to all parties at interest. No opinion is expressed as to whether any alternative transaction might be more beneficial to the Offeror.

We have acted as financial advisor to the Offeror with respect to the proposed Transaction and will receive a fee from the Offeror for our services if the proposed Transaction is consummated. In addition, the Offeror has agreed to indemnify us for certain liabilities arising out of our engagement. Except in relation to the Offer, please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other significant financial advisory or other significant commercial or investment banking relationships with the Offeror or the Offeree. In the ordinary course of our businesses, we and our affiliates may actively trade the equity securities of the Offeror or the Offeree for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Exchange Ratio in the proposed Transaction is fair, from a financial point of view to the Offeror.

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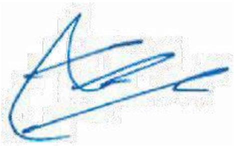
This letter is provided to the Board of Directors of the Offeror in connection with and for the purposes of its evaluation of the Transaction. This opinion does not constitute a recommendation to any shareholder of the Offeror as to how such shareholder should vote with respect to the proposed Transaction or any other matter.

This opinion shall not confer rights or remedies upon, and may not be used or relied on by, any holder of securities of the Offeror or by other person other than the Board of Directors of the Offeror.

This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. Notwithstanding the foregoing sentence, the Offeror may disclose that this opinion has been obtained from us and that a copy of this opinion may be included in its entirety in any filing the Offeror is required to make with the Capital Markets Authority and the Saudi Exchange, and be included in the shareholder circular to be issued by the Offeror and made publicly available, in connection with the Offer, and be made available for public inspection in relation to the Transaction.

Very truly yours,

J.P. Morgan Saudi Arabia Company



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صندوق بريد: ٥١٩٠٧، الرياض ١١٥٥٣ ، المملكة العربية السعودية هاتف: ٢٩٩٣٨٠٠ ١١ (٩٦٦+) فاكس: ٢٩٩٣٨٤٠ ١١ (٩٦٦+)

Appendix (3): Dur's audited financial statements for the last three years and the unaudited condensed interim consolidated financial statements for the three months ended 31 March 2023 and for the three and six months ended 30 June 2023

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

Dur Hospitality Company
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2020

EY
Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Qualified Opinion

We have audited the consolidated financial statements of Dur Hospitality Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

Basis for Qualified Opinion

As disclosed in note (28 – C), to the consolidated financial statements, the Company is disputing the validity of two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. The Company filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for the Resolution of Securities Disputes ("the Securities Dispute Committee"). As of 31 December 2020, the Lawsuit is still at preliminary stage at the Securities Dispute Committee and the potential outcome of this lawsuit cannot be reasonably estimated at this stage. The related mark to market loss of SR 90.7 million, arising from these derivative transactions, has not been accounted for in these consolidated financial statements. Had these losses been accounted for in the financial statements, the net loss for the year would be higher by SR 53.6 million and the net equity as of 31 December 2020 would be lower by SR 90.7 million.

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

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

Key Audit Matters

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

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

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property and equipment	
At 31 December 2020, total property and equipment of the Group amounted to SR 2,697 million, representing 77.6% of total assets. The carrying values of these property and equipment are reviewed by the management for potential indicators of impairment and for those assets where such indicators exist, management determine the recoverable value. We considered this as a key audit matter, since it require a significant management judgment in reviewing the existence of the impairment indicators. Also, the potential impairment, if any, may have significant impact on the consolidated statement of financial position and consolidated result of operations of the Group. Refer to note (2-5) to the consolidated financial statements for the accounting policy of impairment of non-financial assets and note (13) for the disclosure of property and equipment.	Audit procedures that we performed included the following: • Assessed the appropriateness of the management's procedures to ensure whether an indication of impairment exists or not. • Reviewed the statement of operating income for CGU associated with property and equipment during the year. • Reviewed the internal reports (including the Board of Directors minutes of meetings) to assess any future plans in relation to property and equipment. • Assessed the adequacy of the Group's disclosures relating to impairment of non-financial assets in the consolidated financial statements.

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Legal complaint against a local financial institution	
As stated in note (28 - C), to the consolidated financial statements, the Company is disputing the validity of certain financial derivative agreements ("the agreements") with a local financial institution ("the financial institution") and has accordingly not accounted for these agreements in these consolidated financial statements. As of 31 December 2020, the net unrealized losses of SR (90.7) million based on the market valuation. The Company has engaged an external legal counsel to support the Company in its legal proceedings against the financial institution. On 10 November 2020, the Company filed a Lawsuit ("the Lawsuit") against the financial institution before the Committee for the Resolution of Securities Disputes ("the Committee") at the Capital Market Authority ("CMA"). As of 31 December 2020, the Lawsuit was still under the review of the Committee. We considered this as a key audit matter in the current year audit of the consolidated financial statements due to the materiality of the agreements amount and any unexpected adverse outcomes of the Lawsuit could materially impact the Group's consolidated finanical positon, results of operations or future cash flows. Further, The related mark to market loss of SR 90.7 million, arising from these derivative transactions, has not been accounted for in these consolidated financial statements. Had these losses been accounted for in the financial statements, the net loss for the year would be higher by SR 53.6 million and the net equity as of 31 December 2020 would be lower by SR 90.7 million. Refer to note (2-5) to the consolidated financial statements for the accounting policy of contingent liabilites and note (28) for the disclosure of contigencies.	Audit procedures that we performed included the following: • We have obtained and read the agreements to obtain an understanding of the underlying derivative deals and the key terms. We also obtained a direct confirmation from the financial institution on the outstanding derivative deals and its market valuation as of 31 December 2020. • We obtained and read the Statement of Claim filed with the Securities Dispute Committee to understand the legal basis for the Lawsuit. • We read the minutes of the meetings of the Board of Directors and Audit Committee held during 2020 with a particular focus on the overall progress of the Lawsuit. • We tested the fair values of derivatives disclosed in notes to the consolidated financial statements. • We discussed the status of the Lawsuit with the Company's external legal counsel to gain an update on the status of the legal proceeding. • We also assessed the adequacy of Company's disclosure regarding (contingent) liabilities from legal dispute as contained in note 28 to the consolidated financial statements.

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

Other Information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2020 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Building a better working world

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

for Ernst & Young

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

Riyadh: 17 Sha'aban 1442H
(30 March 2021)

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	**2020 SR**	2019 SR
Assets			
Current assets			
Cash and cash equivalents	5	**94,828,467**	135,680,579
Trade receivables	6	**116,940,868**	141,276,119
Prepayment and other current assets	7	**130,722,204**	56,133,755
Inventories	9	**18,820,195**	23,059,545
TOTAL CURENT ASSETS		**361,311,734**	356,149,998
NON-CURRENT ASSETS			
Investment at fair value through OCI	10	**1,942,322**	7,000,000
Investments in equity accounted investees	11	**12,570,128**	14,309,065
Right to use assets	12	**279,408,479**	298,143,110
Advance for rent – noncurrent portion	7	**-**	40,316,800
Property and equipment	13	**2,698,425,010**	2,492,482,172
Projects under construction	14	**124,946,460**	319,425,744
TOTAL NON-CURRENT ASSETS		**3,117,292,399**	3,171,676,891
TOTAL ASSETS		**3,478,604,133**	3,527,826,889
LIABILITIES AND EQUITY			
LIBILITIES			
CURRENT LIABILITIES			
Trade payable		**36,368,079**	58,377,275
Accrued and other current liabilities	15	**169,247,660**	161,665,215
Due to related parties	8	**37,974,216**	38,160,305
Term loans – current portion	16	**209,537,984**	131,912,230
Lease liabilities - current portion	17	**29,433,114**	21,347,688
Provision for zakat	18	**13,323,298**	13,169,475
Dividends payables	23	**44,259,209**	47,230,659
TOTAL CURRENT LIABILITIES		**540,143,560**	471,862,847
NON-CURRENT LIABILITIES			
Term loans – non-current portion	16	**824,367,448**	841,355,862
Lease liabilities – non-current portion	17	**356,447,344**	359,948,110
Employees' end-of-service benefits obligations	19	**59,915,810**	62,911,547
TOTAL NON-CURRENT LIABILITIES		**1,240,730,602**	1,264,215,519
TOTAL LIABILITIES		**1,780,874,162**	1,736,078,366
EQUITY			
Share capital	20	**1,000,000,000**	1,000,000,000
Statutory reserve	21	**500,000,000**	500,000,000
Consensual reserve	22	**143,002,490**	143,002,490
Retained earnings		**1,384,928**	98,399,490
Revaluation reserve of investment at fair value through OCI	10	**(5,057,678)**	-
Total equity attributable to shareholders of the parent Company		**1,639,329,740**	1,741,401,980
Non-controlling interest		**58,400,231**	50,346,543
TOTAL EQUITY		**1,697,729,971**	1,791,748,523
TOTAL LIABILITIES AND EQUITY		**3,478,604,133**	3,527,826,889

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME STATEMENT
For the year ended 31 December 2020

	Notes	2020 SR	2019 SR
Hospitality income	24	**321,033,619**	435,608,058
Rental revenue		**119,617,815**	111,605,597
Management fee revenue	24	**1,668,123**	6,632,471
TOTAL REVENUES		**442,319,557**	553,846,126
COSTS OF REVENUE	25	**(381,495,300)**	(434,669,236)
Gross Profit		**60,824,257**	119,176,890
Expenses			
Selling and marketing		**(1,473,879)**	(1,713,680)
General and administrative	26	**(53,596,364)**	(38,738,194)
TOTAL EXPENSES		**(55,070,243)**	(40,451,874)
OPERATING INCOME		**5,754,014**	78,725,016
Finance charges	16	**(33,241,431)**	(23,336,833)
Financial charges on lease liabilities	17	**(15,758,507)**	(15,947,631)
Financial income	5	**324,434**	1,608,397
Other income, net	27	**630,469**	18,310,943
Share of net results of investments in equity accounted investees	11	**(1,738,937)**	(1,342,430)
(LOSS) INCOME BEFORE ZAKAT		**(44,029,958)**	58,017,462
ZAKAT	18	**(7,579,300)**	(5,250,451)
NET (LOSS) INCOME FOR THE YEAR		**(51,609,258)**	52,767,011
Attributable to:			
Equity holders of the Parent		**(49,494,612)**	53,003,675
Non-controlling interests		**(2,114,646)**	(236,664)
		(51,609,258)	52,767,011
Earnings per share:			
Basic and diluted (loss)/earnings per share attributable to equity holders of the Parent	29	**(0.49)**	0.53

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	***2020*** ***SR***	*2019* *SR*
NET (LOSS) INCOME FOR THE YEAR		**(51,609,258)**	52,767,011
Other items of comprehensive income			
Item that will not be reclassified to consolidated statement of income:			
Change in fair value of investment at FVOCI	10	**(5,057,678)**	-
Actuarial gains (losses) on remeasurement of employee terminal benefits liabilities	19	**2,552,300**	(1,803,821)
Total comprehensive (loss) income for the year		**(54,114,636)**	50,963,190
Attributable to:			
Equity holders of the Parent		**(52,072,240)**	50,977,253
Non-controlling interests		**(2,042,396)**	(14,063)
		(54,114,636)	50,963,190

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
For the year ended 31 December 2020

	Notes	*Share Capital SR*	*Statutory reserve SR*	*Consensual reserve SR*	*Retained earnings SR*	*Revaluation reserve of investment at fair value through OCI SR*	*Total equity attributable to shareholders of the parent Company SR*	*Non-controlling interests SR*	*Total Equity SR*
For the Year ended 31 December 2020									
At 1 January 2020		**1,000,000,000**	**500,000,000**	**143,002,490**	**98,399,490**	**-**	**1,741,401,980**	**50,346,543**	**1,791,748,523**
Net loss of the year		**-**	**-**	**-**	**(49,494,612)**	**-**	**(49,494,612)**	**(2,114,646)**	**(51,609,258)**
Other comprehensive loss for the year		**-**	**-**	**-**	**2,480,050**	**(5,057,678)**	**(2,577,628)**	**72,250**	**(2,505,378)**
Total comprehensive Loss for the year		**-**	**-**	**-**	**(47,014,562)**	**(5,057,678)**	**(52,072,240)**	**(2,042,396)**	**(54,114,636)**
Dividends	23	**-**	**-**	**-**	**(50,000,000)**	**-**	**(50,000,000)**	**(2,200,800)**	**(52,200,800)**
Non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**12,296,884**	**12,296,884**
At 31 December 2020		**1,000,000,000**	**500,000,000**	**143,002,490**	**1,384,928**	**(5,057,678)**	**1,639,329,740**	**58,400,231**	**1,697,729,971**
For the year ended 31 December 2019									
At 1 Januray 2019		1,000,000,000	500,000,000	143,002,490	131,662,069	-	1,774,664,559	36,332,340	1,810,996,899
First time adoption of IFRS 16 on 1 January 2019		-	-	-	(59,239,832)	-	(59,239,832)	-	(59,239,832)
Restated balance at the beginning of the year		1,000,000,000	500,000,000	143,002,490	72,422,237	-	1,715,424,727	36,332,340	1,751,757,067
Net income of the year		-	-	-	53,003,675	-	53,003,675	(236,664)	52,767,011
Other comprehensive loss for the year		-	-	-	(2,026,422)	-	(2,026,422)	222,601	(1,803,821)
Total comprehensive income for the year		-	-	-	50,977,253	-	50,977,253	(14,063)	50,963,190
Dividends	23	-	-	-	(25,000,000)	-	(25,000,000)	-	(25,000,000)
Acquisition of a subsidiary (note 1)		-	-	-	-	-	-	14,028,266	14,028,266
At 31 December 2019		1,000,000,000	500,000,000	143,002,490	98,399,490	-	1,741,401,980	50,346,543	1,791,748,523

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

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Dur Hospitality Company
(A Saudi Joint Stock Company)

Consolidated STATEMENT OF CASH FLOWS
For the Year ended 31 December 2020

	Notes	2020 SR	2019 SR
OPERATING ACTIVITIES			
(loss) income before zakat		**(44,029,958)**	58,017,462
Adjustments for:			
Provision for slow moving inventories	9	**1,749,662**	1,136,700
Share of net results of investments in equity accounted investees	11	**1,738,937**	1,342,430
Loss on sale of investments in equity accounted investees	11	**-**	489,185
Depreciation of right of use assets	12	**17,560,092**	16,870,709
Depreciation of property and equipment	13	**87,400,137**	75,563,594
Finance charges	16	**33,241,431**	35,536,833
Financial charges on lease liabilities		**17,285,507**	17,239,367
Provision for trade receivable expected credit losses / (reversal of provision due to recovery)		**6,401,661**	(206,251)
Profit on sale of property and equipment		**(76,492)**	(25,434)
Provision for employees' terminal benefits	19	**6,842,981**	10,377,770
		128,113,958	216,342,365
Changes in operating asset and liability:			
Trade Receivables		**17,933,590**	(37,016,568)
Prepayment and other current assets		**(34,271,649)**	(10,473,215)
Advance for rent		**-**	(40,316,800)
Inventories		**2,489,688**	(1,367,171)
Trade Payable		**(22,009,196)**	41,978,948
Accrued and other current liabilities		**6,737,327**	(3,836,428)
Due to related parties		**(186,089)**	(1,285,036)
Cash from operation		**98,807,629**	164,026,095
Zakat paid	18	**(7,425,477)**	(7,587,475)
provision for employees' end of service benefits paid	19	**(7,286,418)**	(9,097,898)
Net cash from operating activities		**84,095,734**	147,340,722
INVESTING ACTIVITIES			
Additions to property and equipment	13	**(29,991,379)**	(24,286,039)
Additions to projects under construction	14	**(68,872,312)**	(237,919,616)
Investment in Subsidiary	1	**-**	(37,980,000)
Proceeds from sale of property and equipment		**76,492**	25,434
Payments for Lease liabilities		**(10,681,190)**	(16,004,140)
Net cash used in investing activities		**(109,468,389)**	(316,164,361)
FINANCING ACTIVITIES			
Long-terms loans received, net		**60,637,340**	225,251,446
Dividends to shareholders	23	**(52,971,450)**	(25,000,000)
Dividends to non-controlling interests		**(2,200,800)**	-
Net change in non-controlling interests		**12,296,884**	-
Finance charges paid		**(33,241,431)**	(35,536,833)
Net cash (used in) from financing activities		**(15,479,457)**	164,714,613
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(40,852,112)**	(4,109,026)
Cash and cash equivalents at the beginning of the year		**135,680,579**	139,789,605
Cash and cash equivalents at the end of the year		**94,828,467**	135,680,579

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2020

1 GENERAL

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

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

The Company has invested in the following subsidiaries, which are included in these consolidated financial statements:

Subsidiary	*Share capital (SR)*	***Direct and Indirect Ownership %*** ***31 December 2020***	*31 December 2019*
Makkah Hotels Company Limited	165,600,000	**99.44%**	99.44%
Saudi Hotel Services Company Limited	70,000,000	**70%**	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	**98.73%**	98.73%
Nuzul Shada Hospitality Company	40,000,000	**60%**	60%
Tabuk Hotels Company Limited	27,300,000	**97.14%**	97.14%
Jude Alia Company Limited	100,000	**100%**	100%
Almasdar Alamny Company Limited	100,000	**95%**	95%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95%**	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	**100%**	100%
Dara Oasis Company Limited (One Person Company)	100,000	**100%**	100%
Almashrouat Almethaleyah Real Estate Company (One Person Company)	100,000	**100%**	100%
Alsarh Alaniq operation and maintenance Company (One Person Company)	100,000	**100%**	100%

The Company and its subsidiaries are collectively described as (the "Group") in these consolidated financial statements.

The following are details of the subsidiaries and their activities:

Makkah Hotels Company Limited
Makkah Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4031011879 dated 20 Ramadan 1402H (corresponding to 12 July 1982). The company is engaged in hospitality services inside and outside the KSA. The Company owns Makarem Ajyad Hotel in Makkah.

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

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

Nuzul Shada Hospitality Company
Nuzul Shada Hospitality Company is a Saudi limited liability company and is registered under the Commercial Registration number 4030166369 dated 8 Muharram 1428H (corresponding to 27 January 2007). The company is engaged in general construction of residential buildings, management and leasing of owned and leased real estate (residential), and management and leasing of real estate owned or leased (non-residential). On 13 March 2019, the Group acquired this subsidiary and has been consolidated in the group's consolidated financial statements. The assets, liabilities and results of the subsidiary's business are not material to the Group.

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2020

1 GENERAL (CONTINUED)

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

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

Almasdar Alamny Company Limited
Almasdar Alamny Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010433370 dated 16 Rajab 1436H (corresponding to 5 May 2015). The company is engaged in providing special civil security guard services in KSA pursuant to the Public Security letter number (3/1078413) dated 28 Rajab 1435H (corresponding to 27 May 2014).

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (thereafter referred to as "IFRSs endorsed in KSA").

2.2 Historical Cost Convention
The consolidated financial statements have been prepared on a historical cost basis, except for investment at fair value through other comprehensive income which is measured at fair value and employees' end of service benefits which are measured under projected credit unit method.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.4 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

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

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

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

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

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

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

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

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

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

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

Dur Hospitality Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

Financial instruments

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

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

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

The Group has the following financial assets

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:
The right to receive cash flows from the asset have expired, or
The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

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

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

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

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

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

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

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

Investment in equity accounted investees
Investment in equity accounted investee (the "investee") is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

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

Dur Hospitality Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

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

Property and equipment

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

Employees' defined benefits

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

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

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

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

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

The lease payments are discounted using the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.
Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Fair value measurement (continued)
The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

Rental income
Rental income is recognised on a straight-line basis over the term of lease; lease incentives granted are recognised as an integral part of the total rental income, over the term of lease.

Revenues
Revenue from contracts with customers

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

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

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

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

Expenses
Selling and marketing expenses are those which specifically relate to salesmen, advertising and provision for doubtful debts. All other expenses except for financial charges and other expenses are classified as general and administrative expenses.

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Foreign currencies (continued)

Translation of group companies
Financial statements of the foreign operation are translated into Saudi Riyal using the exchange rate at each statement of consolidated financial position date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

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

2.6 Changes in accounting policies
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS IFRS 3: Definition of a Business:
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform:
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018:
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. This amendment had no impact on the financial statements of the Group.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Changes in accounting policies (continued)

Amendments to IFRS 16 Covid-19 Related Rent Concessions:
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Group.

2.7 New standard issues, standard issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group

Reference to the Conceptual Framework – Amendments to IFRS 3:
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16:
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37:
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. Therefore, the amendments are effective for annual reporting period beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES
In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group used its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on Discounted Cash Flow model ("DCF"). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Expected credit losses for trade receivables
The Group has applied the standard's simplified approach of impairment in accordance with IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Employees' defined benefit obligations
The Employees' defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

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3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES (CONTINUED)

Useful lives and residual values of property and equipment

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

Going concern

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

4 OPERATING SEGMENTS

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

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

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

2020	***Hospitality***	***Property management***	***Property rental***	***Others***	***Elimination***	***Total***
Revenue from external customers	**321,033,619**	**1,668,123**	**119,617,815**	**-**	**-**	**442,319,557**
Intersegment revenue	**17,550,429**		**6,883,798**	**-**	**(24,434,228)**	**-**
Cost of revenue	**(332,683,172)**	**(4,407,118)**	**(44,405,010)**	**-**	**-**	**(381,495,300)**
Gross (loss) profit	**(11,649,553)**	**(2,738,995)**	**75,212,805**	**-**	**-**	**60,824,257**
Depreciation of property and equipment and right of use assets	**82,408,089**	**-**	**18,733,722**	**3,818,418**	**-**	**104,960,229**
Property and equipment	**1,506,310,591**	**-**	**1,108,660,537**	**83,453,882**	**-**	**2,698,425,010**
Right to use assets	**261,046,965**	**-**	**18,361,514**	**-**	**-**	**279,408,479**
Projects under construction	**117,356,830**	**-**	**7,589,629.7**	**-**	**-**	**124,946,460**
TOTAL ASSETS	**1,963,564,880**	**-**	**1,431,785,367**	**83,253,886**	**-**	**3,478,604,133**
TOTAL LIABILITIES	**239,305,560**	**-**	**1,541,568,602**	**-**	**-**	**1,780,874,162**

2019	*Hospitality*	*Property management*	*Property rental*	*Others*	*Deletions*	*Total*
Revenue from external customers	435,608,058	6,632,471	111,605,597	-	-	553,846,126
Intersegment revenue	9,409,093	8,375,346	10,539,069	-	(28,323,508)	-
Costs of revenue	(393,260,920)	(5,079,669)	(36,328,647)	-	-	(434,669,236)
Gross profit	42,347,138	1,552,802	75,276,950	-	-	119,176,890
Depreciation of property and equipment and right of use assets	71,848,787	-	16,333,290	3,329,148	-	91,511,225
Property and equipment	1,484,706,717	-	917,880,564	89,894,891	-	2,492,482,172
Right to use assets	278,550,437	-	19,592,673	-	-	298,143,110
Projects under construction	214,027,363	-	105,398,381	-	-	319,425,744
Total assets	1,918,433,211	-	1,519,498,787	89,894,891	-	3,527,826,889
Total liability	475,217,821	-	1,260,860,545	-	-	1,736,078,366

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4 OPERATING SEGMENTS (CONTINUED)

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

	2020 SR	*2019 SR*
Gross profit of operating segments	**60,824,257**	119,176,890
Un-allocated amounts:		
Other revenues	**630,469**	18,310,943
Selling and Marketing expenses	**(1,473,879)**	(1,713,680)
General and administrative expenses	**(53,596,364)**	(38,738,194)
Financial income	**324,434**	1,608,397
Financial charges on lease liabilities	**(15,758,507)**	(15,947,631)
Finance charges	**(33,241,431)**	(23,336,833)
Share of net results of investments in equity accounted investees	**(1,738,937)**	(1,342,430)
Total un-allocated amounts	**(104,854,215)**	(61,159,428)
(LOSS) INCOME BEFORE ZAKAT	**(44,029,958)**	58,017,462

5 CASH AND CASH EQUIVALENTS

	2020 SR	*2019 SR*
Bank Balance	**77,916,977**	45,287,480
Short term deposits (*)	**16,000,000**	89,623,800
Cash on hands	**911,490**	769,299
	94,828,467	135,680,579

(a) Short term deposits represent Murabaha deposits with commercial banks and the maturity average of those deposits ranges between 30 to 90 days and bears an average Murabaha commission of 25 basis point. Financial income amounted to SR 324,434 for the year ended 31 December 2020 (2019: SR 1,608,397).
(b) As at 31 December 2020, the Group has available cash on hand amounting SR 307.5 million including unwithdrawn cash from the cash facility granted.
(c) The transactions mentioned in note 28, include US dollar bank account amounting to SR 7.6 million as of 31 December 2020 with the financial institution and the company did not use it or account for it.

6 TRADE RECEIVABLES

	2020 SR	*2019 SR*
Trade receivables	**143,386,661**	161,320,252
Provision for credit loss	**(26,445,793)**	(20,044,133)
	116,940,868	141,276,119

(1) Trade receivables are financial instruments but are not derivatives and are recognized at amortized cost and mature within a period ranging from 30 to 90 days. The carrying value of trade receivables is affected by the change in the credit rating of other parties.

(2) Trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities are, therefore, unsecured.

(3) As at 31 December 2020, trade receivables include balances amounting to SR 71 million (2019: SR 48 million) due from governmental and non-governmental parties, as these parties have an extended credit period compared to the other regular customers.

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6 TRADE RECEIVABLES (continued)

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

	2020 SR	*2019 SR*
At 1 January	**20,044,133**	26,290,230
Charge for the year / (provision for recovered receivable) (note 26)	**6,401,661**	(2,667,890)
Bad debts written off during the year	**-**	(3,578,207)
At 31 December	**26,445,793**	20,044,133

Ageing analysis of receivables

As of 31 December, the ageing analysis of trade receivables along with related expected credit losses is as follows:

	Total SR	***1-60 days SR***	***60-90 days SR***	***91-365 days SR***	***1-2 years SR***	***2–3 years SR***	***>3 years SR***
Allowance for expected credit losses							
2020	**26,445,793**	**-**	**155,718**	**1,174,077**	**4,298,006**	**5,201,795**	**15,616,197**
2019	20,044,133	-	313,285	1,343,577	3,107,647	1,297,999	13,981,625
Trade receivables							
2020	**143,386,661**	**58,449,476**	**13,994,938**	**17,718,865**	**20,061,703**	**16,888,849**	**16,272,830**
2019	161,320,252	75,188,181	19,555,196	20,622,713	18,620,075	2,604,918	24,729,169

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	2020 SR	*2019 SR*
Advance for rent (note a below)	**58,818,607**	17,680,000
Supplier advances	**37,326,870**	5,301,984
prepayments	**12,565,446**	12,779,354
Advance payment for real estate projects	**5,383,841**	5,383,841
Employees' advances	**2,977,907**	4,474,657
Amounts due from related parties (note 8)	**2,367,809**	4,994,909
Others	**11,281,724**	5,519,010
	130,722,204	56,133,755

(a) Advance for rent represents a payment to lease a hotel building in Makkah Al-Mukaramah for period a of three and a half years. The Company terminated the lease contract during 2020 and the amount is being recovered from the lessor, and accordingly, the entire advance payment is classified under non-current assets. The Company pledged the title deed to the hotel land owned by the lessor in favor of the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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8 RELATED PARTY TRANSACTIONS AND BALANCES

During its ordinary course of business, the Group transacts with related parties mentioned below, these transactions are made in accordance with terms approved by management. The transactions represent services exchanged between the entities.
Details of transactions amounts and resulted balances are as follows:

a) Due from related parties

			Amount of Transaction		*Balance*	
			2020	*2019*	***2020***	*2019*
Related party	***Relationship***	***Nature of transaction***	***SR***	*SR*	***SR***	*SR*
AL Yasmin Compound onwed by Assila Investment Company	A company owned by shareholders	Management fee income	**409,693**	507,326	**1,371,199**	1,047,797
Al-Maather Compound owned by Assila Investment Company	A company owned by shareholders	Management fee income	**552,977**	85,540	**490,654**	1,319,543
Um Al qura Hotel by owned Assila Investment Company	A company owned by shareholders	Management fee income	**70,552**	777,917	**206,596**	928,775
Makarim Al Bait Hotel owned by Assila Investment Company	A company owned by shareholders	Management fee income	**2,559**	362,748	**94,378**	532,125
Others	Companies owned by shareholders	Technical fees income	**945,050**	1,319,216	**204,982**	1,166,669
					2,367,809	4,994,909

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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due to related parties

			Amount of Transaction		*Balance*	
Related party	*Relationship*	*Nature of transaction*	***2020 SR***	*2019 SR*	***2020 SR***	*2019 SR*
Al Jazira and Dawudia Compounds	Owned by a partner in an associate	Management fee income	**127,343**	479,069	**18,460,369**	18,460,369
Al Madinah Hotels Company limited	Associate	Management fee income	**-**	-	**14,651,496**	14,651,496
Al Rawda Residence Compound owned by Assila Investment Company	A company owned by shareholders	Management fee income	**259,225**	296,617	**2,336,959**	2,636,782
Makarem Mena Hotel owned by Assila Investment Company	A company owned by shareholders	Management fee income	**152,910**	229,367	**1,016,133**	1,169,043
Al Andalus Residence Compound owned by Assila Investment Company	A company owned by shareholders	Management fee income	**190,352**	217,147	**849,258**	1,006,709
Others	A company owned by shareholders	Management fee	**472,406**	287,261	**660,001**	235,906
					37,974,216	38,160,305

Transactions with members of the Board of Directors:
There are transactions with members of the Board of Directors who have an indirect relationship with a financial institution, and the Company obtained facilities from these institutions amounting to SR 740,569,674 as at 31 December 2020 (2019:SR 737,245,128).

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

	Amount of Transaction	
	2020 SR	*2019 SR*
Salaries and benefits	**3,775,604**	5,596,112
End-of-service benefits	**314,634**	469,026

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8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Terms and conditions relating to related party balances:
Outstanding balances with related parties at the year end are unsecured, interest free, settled in cash and due within 12 months of statement of consolidated financial position date. There have been no guarantees provided or received for any related party receivables or payables. For the two years ended 31 December 2020 and 2019, the Group has not recorded any impairment of receivables due from related parties. This assessment is undertaken each reporting period by examining the financial position of the related party and the market in which the related party operates.

9 INVENTORIES

	2020 SR	*2019 SR*
Linens and furnishings	**4,939,890**	5,583,151
Accessories and silverware	**3,635,644**	3,718,950
Spares	**2,771,809**	4,671,489
Food and beverage	**2,701,010**	4,278,953
Kitchen tools and equipment	**2,593,012**	2,010,744
Operating supplies	**1,311,286**	2,403,355
Stationaries and printings	**867,544**	392,903
	18,820,195	23,059,545

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

	2020 SR	*2019 SR*
At 1 Januray	**-**	14,910
Charge for the year (note 25)	**(1,749,662)**	1,136,700
Inventory written off during the year	**(1,108,680)**	(1,151,610)
At 31 December	**(640,982)**	-

10 INVESTMENT AT FVTOCI
The Group owns 2% of the capital of the National Company for Tourism, a limited liability company registered in the Kingdom of Saudi Arabia. Movement in the investment during the year was as follows:

	2020 SR	*2019 SR*
At 1 January	**7,000,000**	7,000,000
Change in fair value during the year	**(5,057,678)**	-
At 31 December	**1,942,322**	7,000,000

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11 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

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

	Ownership %			
Equity accounted investees	***2020***	*2019*	***2020 SR***	*2019 SR*
Saudi Company for Heritage Hospitality	**25**	25	**8,427,839**	10,166,775
Al Madinah Hotels Company limited	**50**	50	**4,142,289**	4,142,290
			12,570,128	14,309,065

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

	2020 SR	*2019 SR*
At 1 January	**14,309,065**	25,191,200
Share in net result	**(1,738,937)**	(1,342,430)
Disposal of investment in equity accounted investees (note a below)	**-**	(9,539,705)
At 31 December	**12,570,128**	14,309,065

(a) During the year ended 31 December 2020, the Group sold its investment in Makarem Al Maarefah Hospitality Company, and the legal formalities were completed during 2019.

12 RIGHT TO USE ASSETS

The Group leases several assets including lands and buildings. Details about the assets leased by the Group are as follows:

	Lands SR	***Buildings SR***	***Total SR***
Cost:			
At 1 January	51,342,270	263,671,549	315,013,819
Additions during the year	3,631,940	-	3,631,940
Lease adjustments (note (a) below)	-	(4,806,479)	(4,806,479)
At 31 December	54,974,210	258,865,070	313,839,280
Depreciation:			
At 1 January	1,290,192	15,580,517	16,870,709
Charged for the year	2,947,977	14,612,115	17,560,092
At 31 December	4,238,169	30,192,632	34,430,801
Net book value:			
As at 31 December 2020	**50,736,041**	**228,672,438**	**279,408,479**

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12 RIGHT TO USE ASSETS (CONTINUED)

	Lands SR	*Buildings SR*	*Total SR*
Cost:			
At the beginning of the year	51,342,270	252,397,365	303,739,635
Related to the acquisition of a subsidiary (note 1)	-	11,274,184	11,274,184
	51,342,270	263,671,549	315,013,819
Depreciation:			
Charged for the year	(1,290,192)	(15,580,517)	(16,870,709)
Net book value:			
As of 31 December 2019	50,052,078	248,091,032	298,143,110

(a) Lease settlement adjustments represent changes made to lease payments and terms agreed upon with the lessor.

(b) The leases do not include guarantees given by the Group against the residual value of the assets.

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13 PROPERTY AND EQUIPMENT

	Lands SR	*Buildings SR*	*Buildings improvements SR*	*Furniture, SR*	*Motor vehicle SR*	*Machinery and equipment SR*	*Elevators and central air conditioning SR*	***Total SR***
Cost:								
At 1 Januray	738,422,519	1,940,405,492	121,035,645	345,570,237	7,291,889	120,482,739	107,291,738	**3,380,500,259**
Addition	-	9,216,855	2,367,457	3,230,671	129,283	14,561,413	485,700	**29,991,379**
Disposals	-	(583,837)		(1,797,898)		(237,967)	(69,940)	**(2,689,642)**
Transferred from projects under construction (note 14)	177,997,364	-	14,000,000	32,516,239	-	33,410,851	5,427,142	**263,351,596**
At 31 December	738,422,519	2,126,023,620	137,403,102	379,519,249	7,421,172	168,217,036	113,134,640	**3,671,153,592**
Depreciation:								
At the beginning of the year	-	495,248,368	81,886,199	223,528,949	6,783,210	47,749,492	32,821,869	**888,018,087**
Charge for the year	-	38,129,832	7,821,139	21,994,456	160,451	15,659,486	3,634,773	**87,400,137**
Disposals	-	(583,837)	-	(1,797,898)	-	-	(69,940)	**(2,689,642)**
At 31 December	-	532,794,363	89,707,338	243,725,507	6,943,660	63,171,010	36,386,702	**972,728,582**
Net Book Value:								
As at 31 December 2020	**738,422,519**	**1,593,229,257**	**47,695,764**	**135,793,742**	**477,512**	**105,046,026**	**76,747,938**	**2,698,425,010**

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13 PROPERTY AND EQUIPMENT (CONTINUED)

	Lands *SR*	*Building* *SR*	*Building improvements* *SR*	*Furniture* *SR*	*Motor vehicle* *SR*	*Machinery and equipment* *SR*	*Elevators and central air conditioning* *SR*	*Total* *SR*
Cost:								
At 1 January	724,671,319	1,446,117,622	91,273,743	288,989,119	8,335,587	80,806,988	63,112,221	2,703,306,599
Related to the acquisition of a subsidiary (note 1)	13,751,200	34,094,612	-	2,293,891	246,005	1,723,610	-	52,109,318
Addition	-	-	2,899,730	593,348	246,533	15,576,762	4,969,666	24,286,039
Disposals	-	(398,483)	-	(487,530)	(1,536,236)	(24,794)	(669,771)	(3,116,814)
Transferred from projects under construction (note 14)	-	460,591,741	26,862,172	54,181,409	-	22,400,173	39,879,622	603,915,117
At 31 December	738,422,519	1,940,405,492	121,035,645	345,570,237	7,291,889	120,482,739	107,291,738	3,380,500,259
Depreciation:								
At the beginning of the year	-	459,362,398	75,549,430	203,661,472	7,954,318	32,448,425	30,032,999	809,009,042
Related to the acquisition of a subsidiary (note 1)	-	2,904,427	-	1,579,233	183,626	1,490,068	-	6,157,354
Charge for the year	-	32,981,543	6,336,769	18,775,747	181,502	13,829,428	3,458,605	75,563,594
Disposals	-	-	-	(487,503)	(1,536,236)	(18,429)	(669,735)	(2,711,903)
At 31 December	-	495,248,368	81,886,199	223,528,949	6,783,210	47,749,492	32,821,869	888,018,087
Net book value:								
As of 31December 2019	738,422,519	1,445,157,124	39,149,446	122,041,288	508,679	72,733,247	74,469,869	2,492,482,172

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

	2020 ***SR***	*2019* *SR*
Cost of revenues (note 25)	**83,170,097**	71,575,059
General and administrative expenses (note 26)	**4,230,040**	3,988,535
	87,400,137	75,563,594

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14 PROJECTS UNDER CONSTRUCTION

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

	2020 SR	*2019 SR*
At 1 January	**319,425,744**	685,421,245
Additions during the year	**68,872,312**	237,919,616
Transfers to property and equipment (note 12)	**(263,351,596)**	(603,915,117)
At 31 December	**124,946,460**	319,425,744

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

(b) Transfers into property and equipment during 2020 amounting SR 262,3 million mainly represent the cost of construction of Holiday Inn Al-Jubail building, Tuwaiq residential project, Al-Wadi Residential Project and renovation of the Marriott Airport Hotel and Al Takhassusi Plaza (2019: SR 603,9 million and mainly represent the cost of construction of Marriott Diplomatic Quarter Hotel building and the fifth stage of the Darraq Residential Complex).

(c) The amount of borrowing costs for the year ended 31 December 2020 was SR 2,8 million (year ended 31 December 2019: SR 12,2 million). The rate used to determine the amount of borrowing costs eligible for capalisation is the interest rate of the weighted average borrowings.

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020 SR	*2019 SR*
Revenue received in advance	**60,775,152**	70,187,209
Payable to contractors	**40,158,492**	20,139,881
Payable retentions	**23,092,253**	27,075,913
Accrued staff benefits	**18,890,906**	20,038,664
Accrued service-related expenses	**7,647,964**	7,505,245
Other accrues expenses	**18,682,893**	16,718,303
	169,247,660	161,665,215

16 TERM LOANS

The Group has secured term loans in the form of Murabaha financing with a total value of SR 1,033 million (2019: SR 973 million) which accrue Murabaha commission at market prevailing rates. These financing are secured by promissory notes and assignment of proceeds from Darraq project rentals.

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Company was compliant with the loan covenants as at 31 December 2020 and 2019.

The following is a summary of the loans as of December 31:

	2020 SR	*2019 SR*
Term loans – current portion	**209,537,984**	131,912,230
Term loans – non-current portion	**824,367,448**	841,355,862
	1,033,905,432	973,268,092

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17 LEASE LIABILITIES

The minimum lease payments for the years subsequent to the date of the consolidated statement of financial position are as follows:

	2020 ***SR***	*2019* *SR*
Maturity analysis - contractual undiscounted cash flows		
Within one year	**27,994,118**	32,611,952
One to five years	**149,486,691**	106,310,585
Later than five years	**432,881,040**	485,641,756
Total undiscounted lease liabilities	**610,361,849**	624,564,293

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

	2020 ***SR***	*2019* *SR*
Lease liabilities included in the consolidated statement of financial position		
Current portion of lease liabilities	**29,433,114**	21,347,688
Non-current portion of lease liabilities	**356,447,344**	359,948,110
	385,880,458	381,295,798

Group as Lessor

The Group has entered into operating leases relating to residential units and a commercial complex. The rental income recognized by the Company during 2020 amounted to SR 119,617,815 (2019: SR 111,605,597), and the remaining periods of these irrevocable leases range from one to five years. All leases include a clause to enable the Group upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2020 ***SR***	*2019* *SR*
Within 1 year	**31,739,557**	25,799,851
Later than one year but not later than five years	**90,949,662**	64,538,560
Later than five years	**72,712,225**	86,245,825
	195,401,444	176,584,236

18 ZAKAT

The Company and its subsidiaries file their Zakat returns individually based on their financial statements.

Therefore, Zakat base is identified and calculated for the Company and its subsidiaries individually, and total estimated Zakat is presented in the consolidated statement of income for the Group.

Movement in provision for Zakat for the two years ended 31 December:

	2020 ***SR***	*2019* *SR*
At 1 January	**13,169,476**	15,627,777
Provided during the year	**7,579,300**	5,250,451
Repayment during the year	**(7,425,477)**	(7,587,475)
Related to the acquisition of a subsidiary (note 1)	**-**	486,962
Provision no longer required	**-**	(608,239)
At 31 December	**13,323,299**	13,169,476

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18 ZAKAT (CONTINUED)

Zakat status
The Company and its subsidiaries filed their Zakat returns with General Authority for Zakat and Tax ("GAZT") for all years up to 2019 and paid the Zakat payable and obtained the unrestricted Zakat certificate.

The Company ahs received the zakat assessment for the years from 2014 to 2018 and based on those assessment the Company was requested to settle additional zakat amount of SR 4.9 million which the Company has appealed against it. The GAZT has issued is amended zakat assessment for the said years and requested the Company to settle SR 864 thousand. The Company has appealed against the amended assessment which is still under the review of the appellate committees at GAZT.

19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES

General description

General description of the type of employees' terminal benefits liabilities plan and accounting policy for recognizing actuarial gains and losses is disclosed in note 2.5 to the consolidated financial statements.

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

Key actuarial assumptions

The principal actuarial assumptions used for actuarial valuation purposes are as follows:

	2020	*2019*
Salary increment rate	**1.9%**	2.9%
Discount Rate	**1.9%**	2.9%
Number of employees covered under terminal benefits plan	**1,354**	1,468

Employees' end of service benefit expense:

The assumptions of the employees' end of service benefits expense charged to the consolidated statement of income are as follows:

	2020 SR	*2019 SR*
Current service cost	**6,355,891**	9,685,727
Interest cost on employees' terminal benefit liabilities	**487,090**	692,043
Total employees' terminal benefit expense	**6,842,981**	10,377,770

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

	2020 SR	*2019 SR*
Actuarial gains (losses) on employees' terminal benefits liabilities	**2,552,300**	(1,803,821)

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19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

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

	2020 SR	*2019 SR*
At 1 January	**62,911,547**	59,827,854
Total employees' terminal benefit expense	**6,842,981**	10,377,770
Employee end of service benefits paid	**(7,286,418)**	(9,097,898)
Actuarial gains (losses) on employees' terminal benefits liabilities	**(2,552,300)**	1,803,821
At 31 December	**59,915,810**	62,911,547

Employees' end of service benefit liabilities sensitivity analysis:

A quantitative sensitivity analysis for significant assumptions on the employees' end of service benefit liabilities as at 31 December is shown below:

	Salary increment rate		***Discount Rate***	
Assumptions Sensitivity level	*50 bps increase SR*	*50 bps decrease SR*	*50 bps increase SR*	*50 bps decrease SR*
2020	**61,621,676**	**56,682,266**	**56,786,139**	**61,533,697**
2019	65,611,744	60,381,151	60,490,661	65,518,902

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

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

	2020 SR	*2019 SR*
Within 12 months (the next current period)	**3,411,585**	3,667,442
Within 2 to 5 years	**28,854,952**	31,368,331
Over 5 years	**31,611,211**	34,565,908
	63,877,748	69,601,681

20 SHARE CAPITAL
The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (2019: 100 million shares of SR 10 each).

21 STATUTORY RESERVE
In accordance with the Company's by-laws, the Company must set aside 10% of its net income for the year until it has built up a reserve equal to 30% of the share capital. Statutory reserve balance reached 50% of the share capital due to transfers in the prior years and the Company decided to discontinue such transfers. The reserve is not available for dividend distribution.

22 CONSENSUAL RESERVE
In accordance with the Company's By-law, the Group allocates 5% of its annual net income to a consensual reserve. Due to transfers in prior years, the Company has decided to discontinue such transfer.

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23 DIVIDENDS DECLARATION AND APPROVAL

On 18 February 2020, the Board of Directors recommended cash dividends of SR 50 million (SR 0.50 per share) for the year ended 31 December 2020, which was approved at the General Assembly in its meeting held on 26 April 2020.

On 14 March 2019, the Board of Directors approved interim cash dividends of SR 25 million (SR 0.25 per share) for the second half of the year 2018 which was approved by the General Assembly at its meeting on 12 May 2019.

Current liabilities include the balance of dividends payable amounting to SR 44.3 million (2019: SR 47.2 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the consolidated statement of financial position.

24 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

2020	***Hospitality SR***	***Property management SR***	***Total SR***
Type of revenue:			
Hospitality services - rooms	206,117,901	-	206,117,901
Sales of goods - food and beverage	82,918,765	-	82,918,765
Other hospitality revenues	31,996,953	-	31,996,953
Management fees	-	1,668,123	1,668,123
Total revenue from contracts with customers	**321,033,619**	**1,668,123**	**322,701,742**
Timing of recognition of revenue			
Services provided over a period of time	238,114,854	1,668,123	239,782,977
Goods transferred at point in time	82,918,765	-	82,918,765
Total revenue from contracts with customers	**321,033,619**	**1,668,123**	**322,701,742**

2019	*Hospitality SR*	*Property management SR*	*Total SR*
Type of revenue:			
Hospitality services - rooms	282,159,243	-	282,159,243
Sales of goods - food and beverage	130,093,527	-	130,093,527
Other hospitality revenues	23,355,288	-	23,355,288
Management fees	-	6,632,471	6,632,471
Total revenue from contracts with customers	435,608,058	6,632,471	442,240,529
Timing of recognition of revenue			
Services provided over a period of time	305,514,531	6,632,471	312,147,002
Goods transferred at point in time	130,093,527	-	130,093,527
Total revenue from contracts with customers	435,608,058	6,632,471	442,240,529

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25 COST OF REVENUE

	2020 SR	*2019 SR*
Salaries and benefits	**116,673,442**	179,978,231
Depreciation of property and equipment and right of use assets (notes 11 and 12)	**100,105,391**	88,445,768
Food and beverage	**25,840,997**	38,836,081
Operating supplies	**53,837,112**	35,574,495
Utilities	**22,226,112**	25,332,276
Advertising and promotion activities	**18,611,756**	19,803,850
Service and operation fees	**18,659,049**	12,086,484
Repair and maintenance	**13,668,403**	11,955,319
Pre-operating expenses	**2,444,470**	10,749,264
Commission for travelling agency and credit cards	**1,894,391**	6,111,655
Allowance for slow moving inventory (note 9)	**1,749,662**	1,136,700
Security and guarding	**477,102**	570,306
others	**5,307,413**	4,088,807
	381,495,300	434,669,236

26 GENERAL AND ADMINISTRATION EXPENSES

	2020 SR	*2019 SR*
Salaries and benefits	**19,383,580**	24,287,981
Professional fess	**9,379,682**	2,879,086
Provision for expected credit losses charged for the year (reversal relating to recovered receivable) (note 6)	**6,401,660**	(2,667,890)
Depreciation of property and equipment (note 13)	**4,230,040**	3,988,535
Board of Directors remuneration	**3,150,000**	3,179,000
Subscriptions	**1,779,754**	2,299,829
Hospitalities	**840,105**	1,743,581
others	**8,431,543**	3,028,072
	53,596,364	38,738,194

27 OTHER INCOME, NET

	2020 SR	*2019 SR*
Recovery of bad debts previously written off	**-**	6,183,583
Income from assignment of a contract (note a below)	**-**	5,140,000
Settlement related to old liabilities (note b below)	**-**	4,100,000
Others, net	**630,469**	2,887,360
	630,469	18,310,943

28 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

During the year ended 31 December 2020, the Group has entered into capital commitments of SR 639 million (2019: SR 648 million) related to its capital work in progress.

b) Contingencies

As at 31 December 2020, the Group issued letters of guarantee amounting to SR 28.5 million (2019: SR 30,2 million). These guarantees are without cash margin.

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28 COMMITMENTS AND CONTINGENCIES (CONTINUED)

c) Legal claim contingency
The Company is disputing the validity of the two Interest Rate Swap derivative agreements (‘the agreements”) with a local financial institution and has accordingly not accounted for these agreements in these consolidated financial statements. The Company filed a lawsuit (“the Lawsuit”) against the financial institution before the Committee for the Resolution of Securities Disputes (“the Securities Dispute Committee”). As of 31 December 2020, the Lawsuit was still under the review of the Securities Dispute Committee. The potential outcome if this lawsuit cannot be reasonably estimated as this stage. However, according to the management and the legal counsel, believes that the final outcome of this Lawsuit will reassuringly result in revoking the agreements. Conversely, if there was an adverse decision related to the Lawsuit, the cumulative impact from the fair valuation of the agreements is estimated to reduce the Group net assets by SR 90.7 million as of 31 December 2020. The Cumulative impact could be positively or negatively impacted according to the future changes in the fair value for these agreements.

29 BASIC AND DILUTED (LOSSES) EARNINGS PER SHARE
Basic and diluted (losses) earnings per share for the year are calculated by dividing net (loss) income for the year by the weighted average number of issued and outstanding shares of 100 million during the two years ended 31 December 2020 and 2019.

30 CAPITAL MANAGEMENT
The Group’s policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors capital using a ratio of ‘net debt’ to ‘equity’. Net debt is calculated as terms loans, trade payables, amounts due to related parties (as shown in the consolidated statement of financial position), less cash and cash equivalents.

Equity comprises all components of equity.
The Group’s net debt to equity ratio at 31 December was as follows:

	2020 ***SR***	*2019* *SR*
Term loans	**1,033,905,432**	973,268,092
Trade payable	**36,368,079**	58,377,275
Accrued expenses and other payable	**169,247,660**	161,665,215
Due to related parties	**37,974,216**	38,160,305
Lease liabilities	**385,880,458**	381,295,798
	1,663,375,845	1,612,766,685
Less: Cash and cash equivalents	**(94,828,467)**	(135,680,579)
Net debt	**1,568,547,378**	1,477,086,106
TOTAL EQUITY	**1,697,729,971**	1,791,748,523
Gearing ratio	**92%**	82%

31 FINANCIAL INSTRUMENTS

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

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31 FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyals are pegged to the US Dollars, currency risk does represent significant risk.

The management closely and continuously monitors the exchange rate fluctuations.

Interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risk associated with the effect of fluctuations in the prevailing interest rates on the Group's consolidated financial position and cash flows. The Group's exposure to interest rate risk primarily to the Group's borrowings. The Group manage its financing through optimising available cash, minimising borrowings and monitoring interest rate levels at all times.

Credit risk

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

	2020 ***SR***	*2019* *SR*
Bank balances and short term deposits	**93,916,977**	134,911,280
Trade receivables	**116,940,868**	141,276,119
Due from related parties	**2,367,809**	4,994,909
	213,225,654	281,182,308

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

Trade Receivables

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

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

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

As at 31 December 2020, more than 15% (2019: 22%) of the Group's customers are corporate, and an expected credit loss has been recognised against these customers amounted to SR 4,9 million (2019: SR 3.3 million).

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

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31 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

2020	***3 to 12 Months SR***	***Beyond 1 to 5 years SR***	***Total SR***
Term loans	209,537,984	824,367,448	**1,033,905,432**
Trade payable	36,368,079	-	**36,368,079**
Accrued expenses and other payable	169,247,660	-	**169,247,660**
Due to related parties	37,974,216	-	**37,974,216**
Lease liabilities	29,433,114	356,447,344	**385,880,458**
	482,561,053	**1,180,814,792**	**1,663,375,845**

2019	*3 to 12 Months SR*	*Beyond 1 to 5 years SR*	*Total SR*
Term loans	131,912,230	841,355,862	973,268,092
Trade payable	58,377,275	-	58,377,275
Accrued expenses and other payable	161,665,215	-	161,665,215
Due to related parties	38,160,305	-	38,160,305
Lease liabilities	21,347,688	359,948,110	381,295,798
	411,462,713	1,201,303,972	1,612,766,685

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32 FINANCIAL INSTRUMENTS - FAIR VALUES

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

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

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

Financial assets

	2020 SR	*2019 SR*
Financial assets classified as available for sale		
Investment at fair value through OCI	**1,942,322**	7,000,000
Financial assets carried at amortized cost		
Trade receivables	**116,940,868**	141,276,119
Due from related parties	**2,367,809**	4,994,909
Total financial assets carried at amortized cost	**119,308,677**	146,271,028
Total financial asset	**121,250,999**	153,271,028
Total current financial assets	**119,308,677**	146,271,028
Total non-current financial assets	**1,942,322**	7,000,000
Total financial asset	**121,250,999**	153,271,028

Financial liabilities

	2020 SR	*2019 SR*
Financial liabilities carried at amortised cost		
Trade Payable	**36,368,079**	58,377,275
Term loans	**1,033,905,432**	973,268,092
Due to related parties	**37,974,216**	38,160,305
Total financial liabilities carried at amortised cost	**1,108,247,727**	1,069,805,672
Total current financial liabilities	**283,880,279**	228,449,810
Total non-current financial liabilities	**824,367,448**	841,355,862
Total financial liabilities carried at amortised cost	**1,108,247,727**	1,069,805,672

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2020

33 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

Earlier this year the existence of novel coronavirus (COVID-19) was confirmed and characterized as a pandemic by the World Health Organisation (WHO) during March 2020.

The government of Saudi Arabia, consistent with many other governments around the world introduced various measures to combat the outbreak, including travel restrictions, quarantines, curfews, closure of business and other venues and lockdown of certain areas. The Company witnessed drop in revenues and hotel occupancy rates once the curfew was implemented, however, occupancy rates started to increase once restrictions were lifted in late May.

The extent to which the pandemic impacts Group's business and operations is ascertainable but the financial impact over the next 12 months cannot be measured reliably as it depends on various current factors and future developments, that the Group may not be able to estimate reliably during the current year. These factors include virus transmission rate, duration of the outbreak, advent of new waves of the virus, precautionary actions that may be taken by the authorities to control the spread and impact of those actions on economic activity, impact to the businesses of the Company's customers, etc.

Considering the challenges of the uncertainty around the extent and duration of business and economic impact, management is monitoring the situation with a continued focus on ensuring guest safety, sustainability of supply chain, maintenance of sufficient liquidity and safety of employees. Further, management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures.

In view of the above, management has made certain estimates and assumptions and any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in the future years. As the situation continues to evolve, management will continue to assess the impact based on prospective developments.

34 COMPARATIVE FIGURES

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

35 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events occurred after 31 December 2020 that would have a material financial impact on the financial position or results of the Group.

36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 12 Sha'aban 1442H (corresponding to 25 March 2021).

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Qualified Opinion

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

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

Basis for Qualified Opinion

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

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

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

Key Audit Matters

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

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

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

Key Audit Matters (continued)

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

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

Key Audit Matters (continued)

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

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

Other Information included in the Group's 2021 Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

for Ernst & Young Professional Services

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2021

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

		Attributable to the equity holders of the parent							
	Notes	*Share capital SR*	*Statutory reserve SR*	*Consensual reserve SR*	*Retained earnings SR*	*Revaluation reserve of investment at fair value through OCI SR*	*Total equity attributable to shareholders of the parent Company SR*	*Non-controlling interests SR*	*Total equity SR*
For the Year ended 31 December 2021									
At 1 January 2021		1,000,000,000	500,000,000	143,002,490	1,384,928	(5,057,678)	1,639,329,740	58,400,231	**1,697,729,971**
Net loss of the year		-	-	-	(15,184,007)	-	(15,184,007)	1,012,597	**(14,171,410)**
Other comprehensive loss for the year		-	-	-	(712,153)	159,335	(552,818)	(24,905)	**(577,723)**
Total comprehensive loss for the year		-	-	-	(15,896,160)	159,335	(15,736,825)	987,692	**(14,749,133)**
Transfer of consensual reserve	22	-	-	(143,002,490)	143,002,490	-	-	-	-
At 31 December 2021		**1,000,000,000**	**500,000,000**	-	**128,491,258**	**(4,898,343)**	**1,623,592,915**	**59,387,923**	**1,682,980,838**
For the Year ended 31 December 2020									
At 1 January 2020		1,000,000,000	500,000,000	143,002,490	98,399,490	-	1,741,401,980	50,346,543	1,791,748,523
Net loss of the year		-	-	-	(49,494,612)	-	(49,494,612)	(2,114,646)	(51,609,258)
Other comprehensive loss for the year		-	-	-	2,480,050	(5,057,678)	(2,577,628)	72,250	(2,505,378)
Total comprehensive Loss for the year		-	-	-	(47,014,562)	(5,057,678)	(52,072,240)	(2,042,396)	(54,114,636)
Dividends	23	-	-	-	(50,000,000)	-	(50,000,000)	(2,200,800)	(52,200,800)
Non-controlling interests		-	-	-	-	-	-	12,296,884	12,296,884
At 31 December 2020		1,000,000,000	500,000,000	143,002,490	1,384,928	(5,057,678)	1,639,329,740	58,400,231	1,697,729,971

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

1 REPORTING ENTITY

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

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

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

		Direct and indirect Ownership %	
Subsidiary	*Share Capital SR*	***31 December 2021***	*31 December 2020*
Makkah Hotels Company Limited	165,600,000	**99.44%**	99.44%
Saudi Hotel Services Company	70,000,000	**70%**	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	**98.73%**	98.73%
Nuzul Shada Hospitality Company	40,000,000	**60%**	60%
Tabuk Hotels Company Limited	27,300,000	**97.14%**	97.14%
Jude Alia Company Limited	100,000	**99%**	99%
Almasdar Alamny Company Limited	100,000	**95%**	95%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95%**	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	**100%**	100%
Dara Oasis Company Limited (One Person Company)	100,000	**100%**	100%
Almashrouat Almethaleyah Real Estate Company (One Person Company)	100,000	**100%**	100%
Alsarh Alaniq operation and maintenance Company (One Person Company)	100,000	**100%**	100%

The following are details of the subsidiaries and their activities:

Makkah Hotels Company Limited
Makkah Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4031011879 dated 20 Ramadan 1402H (corresponding to 12 July 1982). The company is engaged in hospitality services inside and outside the KSA. The company owns Makarem Ajyad Hotel in Makkah.

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

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

Nuzul Shada Hospitaltiy Company
Nuzul Shada Hospitality Company is a Saudi limited liability company and is registered under the Commercial Registration number 4030166369 dated 8 Muharram 1428H (corresponding to 27 January 2007). The company is engaged in general construction of residential buildings, management and leasing of owned and leased real estate (residential), and management and leasing of real estate owned or leased (non-residential).

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1 REPORTING ENTITY (CONTINUED)

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

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

Almasdar Alamny Company Limited
Almasdar Alamny Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010433370 dated 16 Rajab 1436H (corresponding to 5 May 2015). The company is engaged in providing special civil security guard services in KSA pursuant to the Public Security letter number (3/1078413) dated 28 Rajab 1435H (corresponding to 27 May 2014).

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

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

Dur Hospitality Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FUNTIONAL AND PRESENTATION CURRENCY

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

2.4 BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

Financial instruments

Initial recognition and subsequent measurement and derecognition

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

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

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

The Group has the following financial assets

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Dur Hospitality Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Investment in equity accounted investees (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Dur Hospitality Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

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

Employees' defined benefits

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

Revenues
Revenue from contracts with customers

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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

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

Costs and expenses

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

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

Finance income and finance cost

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

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

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

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

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

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

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

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

2.7 New standard issues, standard issued but not yet effective

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Definition of Accounting Estimates – Amendments to IAS 8

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

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

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

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

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

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

3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group used its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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3 SIGNIFICANT ASSUMPTIONS AND ESTIMATES (CONTINUED)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on Discounted Cash Flow model ("DCF"). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Expected credit losses for trade receivables
The Group has applied the standard's simplified approach of impairment in accordance with IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Employees' defined benefit obligations
The Employees' defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

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

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

4 OPERATING SEGMENTS

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

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

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

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4 OPERATING SEGMENTS (CONTINUED)

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

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

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

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

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

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5 CASH AND CASH EQUIVALENTS

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

Terms and conditions of the above financial assets:

(a) Short term deposits represent Murabaha deposits with commercial banks and the maturity average of those deposits ranges between 30 to 90 days and bears an average Murabaha commission of 35 basis point. Finance income amounted to SR 38,205 for the year ended 31 December 2021 (2020: SR 324,434).
(b) As at 31 December 2021, the Group has available cash facilities amounting SR 171.3 million (2020: SR 307.5 million) representing unwithdrawn cash from the cash facility granted.
(c) The transactions mentioned in note 28, include an overdraft US dollar bank account amounting to SR 20.83 million as of 31 December 2021 (2020: SR 7.6 million) with the financial institution and the Group did not use it or account for it in these consolidated financial statements.

6 TRADE RECEIVABLES

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

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

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

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

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6 TRADE RECEIVABLES (CONTINUED)

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

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

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

7 PREPAYMENTS AND OTHER CURRENT ASSETS

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

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

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8 RELATED PARTY TRANSACTIONS AND BALANCES

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

Details of transactions and resulted balances are as follows:

a) Due from related parties

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

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8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Due to related parties

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

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8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

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

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

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

9 INVENTORIES

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

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

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

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10 INVESTMENT AT FVOCI

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

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

11 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

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

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

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

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

(*) Dur Hospitality Company has entered into a partnership agreement with Awqaf Investment Company (the investment arm of the General Authority for Awqaf), which provides for the formation of Al-Madina Tower Real Estate Company (the associate). The associate has leased a plot of land in the central area of Madinah from the General Authority for Awqaf for the purpose of developing a 5-stars hotel, which will be operated by Dur Hospitality Company under the "Makarem Brand". The project will be financed in accordance with capital ownership of each of the parties.

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11 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

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

12 RIGHT OF USE ASSETS

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

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

(a) Lease adjustments represent changes made to lease payments and terms agreed upon with the lessor.
(b) There were no leases with residual value guarantees to which the Group is committed.
(c) The depreciation charge has been allocated in the consolidated statement of income for the years ended 31 December to cost of revenue.

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13 PROPERTY AND EQUIPMENT

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

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

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13 PROPERTY AND EQUIPMENT (CONTINUED)

	Lands SR	*Buildings SR*	*Buildings improvements SR*	*Furniture, SR*	*Motor vehicle SR*	*Machinery and equipment SR*	*Elevators and central air conditioning SR*	*Total SR*
Cost:								
At the beginning of the year	738,422,519	1,940,405,492	121,035,645	345,570,237	7,291,889	120,482,739	107,291,738	3,380,500,259
Addition	-	9,216,855	2,367,457	3,230,671	129,283	14,561,413	485,700	29,991,379
Disposals	-	(583,837)	-	(1,797,898)	-	(237,967)	(69,940)	(2,689,642)
Transferred from projects under construction (note 14)	-	177,997,364	14,000,000	32,516,239	-	33,410,851	5,427,142	263,351,596
At 31 December	738,422,519	2,127,035,874	137,403,102	379,519,249	7,421,172	168,217,036	113,134,640	3,671,153,592
Accumulated Depreciation:								
At the beginning of the year	-	495,248,368	81,886,199	223,528,949	6,783,210	47,749,492	32,821,869	888,018,087
Charge for the year	-	38,129,832	7,821,139	21,994,456	160,451	15,659,486	3,634,773	87,400,137
Disposals	-	(583,837)	-	(1,797,898)	-	(237,967)	(69,940)	(2,689,642)
At 31 December	-	532,794,363	89,707,338	243,725,507	6,943,661	63,171,011	36,386,702	972,728,582
Net Book Value:								
As at 31 December 2020	738,422,519	1,594,241,511	47,695,764	135,793,742	477,511	105,046,025	76,747,938	2,698,425,010

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13 PROPERTY AND EQUIPMENT (CONTINUED)

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

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

14 PROJECTS UNDER CONSTRUCTION

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

	2021 ***SR***	*2020* *SR*
At 1 January	**124,946,460**	319,425,744
Additions during the year	**26,110,904**	68,872,312
Transfers to property and equipment (note 13)	**(55,550,309)**	(263,351,596)
At 31 December	**95,507,055**	124,946,460

(a) The projects under construction mainly represent the cost of constructing new hotels and renovating existing hotels in addition to other projects. This includes contractors' costs in addition to project management expenses, design expenses, and other miscellaneous expenses. The board of directors review the progress of these projects on timely basis and there is no decision been taken to cancel any of these projects.
(b) Transfers into property and equipment during 2021 amounting SR 55.6 million mainly represent the cost of construction of renovation of Makkah Hotel (2020: SR 262.3 million representing the cost of construction of Holiday Inn Al-Jubail building, Tuwaiq residential project, Al-Wadi Residential Project and renovation of the Marriott Airport Hotel and Al Takhassusi Plaza).
(c) The amount of borrowing costs for the year ended 31 December 2021 was nil (year ended 31 December 2020: SR 2.8 million). The rate used to determine the amount of borrowing costs eligible for capitalization is the interest rate of the weighted average term loans.

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

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16 TERM LOANS

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

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

Classification of the term loans is as follows:

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

17 LEASE LIABILITIES

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

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

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

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

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

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

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18 ZAKAT

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

Movement in provision for Zakat for the years ended 31 December:

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

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

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

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

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

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

19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES

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

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

Key actuarial assumptions

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

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19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

Employees' end of service benefit expense:

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

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

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

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

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

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

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

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

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19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

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

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

20 SHARE CAPITAL

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

21 STATUTORY RESERVE

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

22 CONSENSUAL RESERVE

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

23 DIVIDENDS PAYABLE

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

As at 31 December 2021, current liabilities include the balance of dividends payable amounting to SR 43.9 million (2020: SR 44.3 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the consolidated statement of financial position.

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24 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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25 COST OF REVENUE

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

26 GENERAL AND ADMINISTRATIVE EXPENSES

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

27 OTHER INCOME (EXPENSE), NET

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2021

27 OTHER INCOME (EXPENSE), NET (CONTINUED)

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

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

28 COMMITMENTS AND CONTINGENCIES

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

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

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

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

Dur Hospitality Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2021

29 BASIC AND DILUTED EARNINGS PER SHARE

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

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

30 CAPITAL MANAGEMENT

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

Equity comprises all components of equity.

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

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

Dur Hospitality Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

The management closely and continuously monitors the exchange rate fluctuations.

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

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

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

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

The carrying amount of financial assets represents the maximum credit exposure.
Bank balances and short term deposits
The Group has kept its surplus funds with banks in Kingdom of Saudi Arabia having sound credit ratings, therefore, credit risk on bank balance and short term deposits is considered by management to be insignificant.

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

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

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (see note 6).

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

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

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

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

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

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

Dur Hospitality Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2021

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

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

32 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2021

32 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial Assets

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

Financial liabilities

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

33 IMPACT OF COVID-19

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2021

33 IMPACT OF COVID-19 (CONTINUED)

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

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

34 COMPARATIVE FIGURES

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

35 SUBSEQUENT EVENTS

The Company's board of directors agreed on 2 Dhul Qa'adah 1442H (corresponding to 12 June 2021) to start initial discussions with Taiba Investments Company to study the merger of the two companies. After the initial discussions and studies, on 12 March 2022, the boards of directors of the two companies have agreed to end the initial discussions relating to the merger of the two companies and not to proceed with it.

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

36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITOR'S REPORT

31 December 2022

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITOR'S REPORT
31 December 2022

Ernst & Young Professional Services (Professional LLC)
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Independent Auditor's Report
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Opinion
We have audited the consolidated financial statements of Dur Hospitality Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Building a better working world

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property and equipment and projects under construction	Audit procedures included, among others, the following:
At 31 December 2022, total property and equipment and projects under construction of the Group amounted to SR 2,849 million, representing 83.3% of total assets. The carrying values of these property and equipment and projects under construction are reviewed by the management for potential indicators of impairment and for those assets where such indicators exist, management determine the recoverable value. We considered this as a key audit matter since it requires a significant management judgment in reviewing the existence of the impairment indicators. Also, the potential impairment, if any, may have significant impact on the consolidated statement of financial position and consolidated result of operations of the Group. Refer to note (2-5) to the consolidated financial statements for the accounting policy of impairment of non-financial assets and note (13) for the disclosure of property and equipment and note (14) for the disclosure of projects under construction	• Assessed the appropriateness of the management’s procedures to ensure whether an indication of impairment exists or not. • Evaluating the Group's assumptions and estimates to determine the recoverable value of its assets, including those relating to occupancy rates, average room rates, operating expense, and discount rates. • Reviewed the statement of operating income for Cash Generating Units (CGU) associated with property and equipment during the year. • Reviewed the internal reports (including the Board of Directors minutes of meetings) to assess the future plans in relation to property and equipment. • Validated the mathematical accuracy of impairment models and agreed relevant data to the latest business plans and budgets. • Assessed the adequacy of the Group's disclosures relating to impairment of non-financial assets in the consolidated financial statements.

Building a better working world

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Legal complaint against a local financial institution	Audit procedures included, among others, the following:
As disclosed in note 24, to the consolidated financial statements, the Company is disputing the validity of two Interest Rate Swap derivative agreements with notional amount of SR 775 million ("the agreements") with a local financial institution. On 10 March 2022, The Company filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations. The new lawsuit is still at preliminary stage at the Banking Disputes Committee and the potential outcome cannot be reasonably estimated at this stage. Management had earlier not accounted for these derivatives and our Audit report for prior periods was qualified in respect of the same. In the current year, management has rectified this by retrospectively accounting for these derivatives. We considered this as a key audit matter due to the materiality of the agreements amount and any unexpected adverse outcomes of the Lawsuit which could impact the Group's consolidated financial position, results of operations or future cash flows. Refer to note (2-5) to the consolidated financial statements for the accounting policy of contingent liabilities, note (24) for the disclosure of derivatives and note (35) for prior periods adjustments.	• Obtained and read the agreements to obtain an understanding of the underlying derivative deals and the key terms. We also obtained a direct confirmation from the financial institution on the outstanding derivative deals and its market valuation as of 31 December 2022. • Tested the fair values of derivatives disclosed in notes to the consolidated financial statements. • Read the minutes of the meetings of the Board of Directors and Audit Committee held during 2022 with a particular focus on the overall progress of the Lawsuit. • Obtained letter from external legal counsel of the Company's on the status of the legal proceeding. • Assessed retrospective error correction in the prior periods and ensured such retrospective adjustment as in note (35), is in compliance with IAS (8). • Assessed the adequacy of the relevant disclosure included in the consolidated financial statements.

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

Other information included in The Group's 2022 Annual Report
Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

for Ernst & Young Professional Services

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

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

TAIBA INVESTMENTS

Dur Hospitality Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2022

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Note	*Attributable to the equity holders of the parent*							
		Share capital SR	*Statutory reserve SR*	*Consensual reserve SR*	*Retained earnings SR*	*Revaluation reserve of investment at fair value through OCI SR*	*Total equity attributable to shareholders of the parent Company SR*	*Non-controlling interests SR*	*Total equity SR*
For the year ended 31 December 2022									
At 1 January 2022		**1,000,000,000**	**500,000,000**	**-**	**61,847,817**	**(4,898,343)**	**1,556,949,474**	**59,387,923**	**1,616,337,397**
Net income for the year		**-**	**-**	**-**	**40,165,884**	**-**	**40,165,884**	**(15,124)**	**40,150,760**
Other comprehensive income for the year		**-**	**-**	**-**	**1,446,528**	**418,427**	**1,864,955**	**(45,064)**	**1,819,891**
Total comprehensive income for the year		**-**	**-**	**-**	**41,612,412**	**418,427**	**42,030,839**	**(60,188)**	**41,970,651**
At 31 December 2022		**1,000,000,000**	**500,000,000**	**-**	**103,460,229**	**(4,479,916)**	**1,598,980,313**	**59,327,735**	**1,658,308,048**
For the year ended 31 December 2021									
At 1 January 2021		1,000,000,000	500,000,000	143,002,490	1,384,928	(5,057,678)	1,639,329,740	58,400,231	1,697,729,971
Effect of restatements	35	-	-	-	(83,021,253)	-	(83,021,253)	-	(83,021,253)
At 1 January 2021 – as restated		1,000,000,000	500,000,000	143,002,490	(81,636,325)	(5,057,678)	1,556,308,487	58,400,231	1,614,708,718
Net income for the year – as restated		-	-	-	1,193,805	-	1,193,805	1,012,597	2,206,402
Other comprehensive income for the year		-	-	-	(712,153)	159,335	(552,818)	(24,905)	(577,723)
Total comprehensive income for the year– as restated		-	-	-	481,652	159,335	640,987	987,692	1,628,679
Transfer of consensual reserve	22	-	-	(143,002,490)	143,002,490	-	-	-	-
At 31 December 2021		1,000,000,000	500,000,000	-	61,847,817	(4,898,343)	1,556,949,474	59,387,923	1,616,337,397

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

TAIBA INVESTMENTS

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)

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

NON-CASH TRANASCATIONS:

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

1 ACTIVITIES

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

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

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

Subsidiaries	Share Capital SR	Direct and indirect Ownership % 31 December 2022	31 December 2021
Makkah Hotels Company Limited	165,600,000	**99.44%**	99.44%
Saudi Hotel Services Company	70,000,000	**70%**	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	**98.73%**	98.73%
Nuzul Shada Hospitality Company	40,000,000	**60%**	60%
Tabuk Hotels Company Limited	27,300,000	**97.14%**	97.14%
Jude Alia Company Limited	100,000	**99%**	99%
Almasdar Alamny Company Limited	100,000	**-**	95%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95%**	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	**100%**	100%
Dara Oasis Company Limited (One Person Company)	100,000	**100%**	100%
Dur Real Estate Communities Company (One Person Company) – formerly Almashrouat Almethaleyah Real Estate Company	100,000	**100%**	100%
Alsarh Alaniq operation and maintenance Company (One Person Company)	100,000	**100%**	100%

The following are details of the subsidiaries and their activities:

Makkah Hotels Company Limited
Makkah Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4031011879 dated 20 Ramadan 1402H (corresponding to 12 July 1982). The company is engaged in hospitality services inside and outside the KSA. The company owns Makarem Ajyad Hotel in Makkah.

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

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

Nuzul Shada Hospitaltiy Company
Nuzul Shada Hospitality Company is a Saudi limited liability company and is registered under the Commercial Registration number 4030166369 dated 8 Muharram 1428H (corresponding to 27 January 2007). The company is engaged in general construction of residential buildings, management and leasing of owned and leased real estate (residential), and management and leasing of real estate owned or leased (non-residential).

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

1 ACTIVITIES (CONTINUED)

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

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

Almasdar Alamny Company Limited
Almasdar Alamny Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010433370 dated 16 Rajab 1436H (corresponding to 5 May 2015). The company is engaged in providing special civil security guard services in KSA pursuant to the Public Security letter number (3/1078413) dated 28 Rajab 1435H (corresponding to 27 May 2014). During the year 2022, the company has closed.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except for:
- investment in equity instruments at FVOCI and derivative financial instruments, which are measured at fair value; and
- employees' end of service benefits which are measured under projected credit unit method.

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FUNTIONAL AND PRESENTATION CURRENCY

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

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

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

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading; or
- it is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Financial instruments

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Group has the following financial assets.

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

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in consolidated statement of income when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, contract assets and amounts due from related parties.

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

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

- The right to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
  a) The Group has transferred substantially all the risks and rewards of the asset, or
  b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Financial instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument and are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

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

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

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

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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

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

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

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

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

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

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

The Group applies the cost model, and measures right of use assets at cost:
- less any accumulated depreciation and any accumulated impairment losses; if any, and
- adjusted for any re-measurement of the lease liability for lease modifications, if any.

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

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

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

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Dividends

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

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

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Employees' defined benefits

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

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

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

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

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

Revenues

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:
Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Revenues (continued)

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

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

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

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

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

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIEIS (CONTINUED)

Foreign currencies (continued)
Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated financial statements date. All differences are recognised in consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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

2.6 NEW STANDARD ISSUES, STANDARD ISSUED AND EFFECTIVE

Following are standards and amendments, which are effective for annual periods beginning on or before 1 January 2022 (unless otherwise stated):
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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

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

2.7 NEW STANDARD ISSUES, STANDARD ISSUED BUT NOT YET EFFECTIVE

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

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

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

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group used its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on Discounted Cash Flow model ("DCF"). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Expected credit losses for trade receivables
The Group has applied the standard's simplified approach of impairment in accordance with IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience for groupings of various customer segments that have similar loss patterns, adjusted for forward-looking factors specific to the debtors and the economic environment. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Employees' defined benefit obligations
The Employees' defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

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

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

Judgements

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

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

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

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4 OPERATING SEGMENTS

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

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

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

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

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

2021 SR (Restated – Note 35)	Hospitality	Property management	Property rental	Others	Eliminations	Total
Revenue from external customer	348,382,921	1,520,903	123,246,132	-	-	473,149,956
Inter-segment revenue	3,023,961	16,578,419	7,174,605	-	(26,776,985)	-
Cost of revenue	391,608,220	3,219,740	45,204,609	-	(26,380,585)	413,651,984
Gross profit	(40,201,338)	14,879,582	85,216,128	-	(396,400)	59,497,972
Depreciation of property and equipment and right of use assets	91,333,137	-	23,214,097	-	-	114,547,234
Property and equipment	1,819,222,611	-	892,267,563	-	-	2,711,490,174
Right of use assets	210,354,619	-	19,206,489	-	-	229,561,108
Projects under construction	88,430,056	-	7,076,999	-	-	95,507,055
Total assets	1,661,421,552	5,243,101	1,617,977,800	665,967,283	(538,966,519)	3,411,643,217
Total liabilities	1,601,897,574	12,365,194	142,239,452	77,968,520	(39,164,920)	1,795,305,820

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4 OPERATING SEGMENTS (CONTINUED)

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

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

5 CASH AND CASH EQUIVALENTS

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

(a) Short term deposits represent Murabaha deposits with commercial banks and the maturity average of those deposits ranges between 30 to 90 days and bears an average Murabaha commission of 196 basis points. Finance income amounted to SR 146,760 for the year ended 31 December 2022 (2021: SR 38,205).

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

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6 TRADE RECEIVABLES

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

(a) Trade receivables mature within a period ranging from 30 to 90 days. The carrying value of trade receivables is affected by the change in the credit rating of other parties.

(b) Trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities are, therefore, unsecured.

(c) As at 31 December 2022, trade receivables include balances amounting to SR 80.9 million (2021: SR 82.6 million) due from government and government related customers. These parties have an extended credit period compared to the other regular customers.

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

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

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

	Total SR	*0-90 days SR*	*91-120 days SR*	*121-365 days SR*	*1-2 years SR*	*2-3 years SR*	*3-4 years SR*	*>4 years*
Expected Credit Loss								
31 December 2022	**29,719,069**	**-**	**181,090**	**1,163,726**	**1,929,205**	**1,205,755**	**3,584,648**	**21,654,645**
31 December 2021	25,233,972	-	107,462	1,199,893	1,457,374	4,641,444	3,926,148	13,901,651
Trade receivables								
31 December 2022	**170,428,252**	**61,615,177**	**6,350,025**	**50,832,186**	**11,950,517**	**5,221,152**	**6,333,297**	**28,125,898**
31 December 2021	170,475,362	67,309,923	6,549,651	45,327,933	10,890,663	11,478,465	14,686,060	14,232,667
Expected loss rate								
31 December 2022	**17.44%**	**-**	**2.85%**	**2.29%**	**16.14%**	**23.09%**	**56.60%**	**76.99%**
31 December 2021	14.80%	-	1.64%	2.65%	13.38%	40.44%	26.73%	97.67%

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

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7 PREPAYMENTS AND OTHER CURRENT ASSETS

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

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

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8 RELATED PARTY TRANSACTIONS AND BALANCES

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

Details of significant transactions and resulted balances are as follows:

a) Due from related parties

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

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8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Due to related parties

			Amount of transactions		Balance	
Related Party	Relation	Nature of transaction	31 December 2022 SR	31 December 2021 SR	31 December 2022 SR	31 December 2021 SR
Al Jazira and Dawudia Compounds	Owned by a partner in an equity accounted investee	Management fees income	**-**	-	**18,460,369**	18,460,369
Al Madinah Hotels Company Limited	Equity accounted investee	Management fees income	**-**	-	**14,651,496**	14,651,496
Al Rawda Residence Compound owned by Assila Investment Company	A company owned by shareholders	Management fees income	**207,137**	172,143	**1,776,140**	2,085,678
Al Andalus Residence Compound owned by Assila Investment Company	A company owned by shareholders	Management fees income	**178,475**	161,654	**298,627**	434,024
Others	Companies owned by shareholders	Expenses paid on behalf	**178,337**	124,907	**335,543**	1,527,180
					35,522,175	37,158,747

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Dur Hospitality Company
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8 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with members of the Board of Directors:
There are transactions with financial institutions having common members of the Board of Directors. The Group obtained facilities from these financial institutions having outstanding balances aggregating SR 752 million as at 31 December 2022 (2021:SR 675.2 million).

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

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

Terms and conditions relating to related party balances
Outstanding balances with related parties at the year-end are unsecured, interest free, settled in cash and due within 12 months of statement of consolidated financial position date. There have been no guarantees received or provided for any related party receivables or payables. For the years ended 31 December 2022 and 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period by examining the financial position of each related party and the market in which the related party operates.

9 INVENTORIES

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

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10 INVESTMENT AT FVOCI

The Group owns 1.67% of the capital of National Tourism Company which is a limited liability company registered in the Kingdom of Saudi Arabia. This investment was irrevocably designated at fair value through OCI as the Group considers this investment to be strategic in nature. The movement in the fair value of the investment is as follows:

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

11 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

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

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

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

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

(*) Dur Hospitality Company has entered into a partnership agreement with Awqaf Investment Company (the investment arm of the General Authority for Awqaf), which provides for the formation of Al-Madina Tower Real Estate Company (the associate). The associate has leased a plot of land in the central area of Madinah from the General Authority for Awqaf for the purpose of developing a 5-stars hotel, which will be operated by the Group under the "Makarem Brand". The project will be financed in accordance with capital ownership of each of the parties.

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11 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

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

12 RIGHT OF USE ASSETS

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

	Lands	*Buildings*	*Total*
	SR	*SR*	*SR*
Cost:			
As at 1 January 2022	**54,973,553**	**221,127,829**	**276,101,382**
Lease adjustments (a)	**-**	**(13,718,830)**	**(13,718,830)**
As at 31 December 2022	**54,973,553**	**207,408,999**	**262,382,552**
Depreciation:			
As at 1 January 2022	**5,710,560**	**40,829,714**	**46,540,274**
Charge for the year (note 26)	**2,384,368**	**11,457,950**	**13,842,318**
As at 31 December 2022	**8,094,928**	**52,287,664**	**60,382,592**
Net book values:			
As at 31 December 2022	**46,878,625**	**155,121,335**	**201,999,960**
Cost:			
As at 1 January	54,973,553	259,721,033	314,694,586
Additions during the year		19,809,907	19,809,907
Lease adjustments (a)	-	(58,403,111)	(58,403,111)
As at 31 December 2021	54,973,553	221,127,829	276,101,382
Depreciation:			
As at 1 January	3,327,440	31,958,667	35,286,107
Charge for the year (note 26)	2,383,120	11,984,301	14,367,421
Lease adjustment (a)		(3,113,254)	(3,113,254)
	5,710,560	40,829,714	46,540,274
Net book values:			
As at 31 December 2021	49,262,993	180,298,115	229,561,108

(a) Lease adjustments represent changes made to lease payments and terms agreed upon with the lessor.

(b) There were no leases with residual value guarantees to which the Group is committed.

(c) The depreciation charge has been allocated in the consolidated statement of income to cost of revenue.

TAIBA INVESTMENTS

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13 PROPERTY AND EQUIPMENT

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

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

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13 PROPERTY AND EQUIPMENT (CONTINUED)

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

(a) During the year ended 31 December 2021, the Group re-estimated cost of certain items of the projects by SR 6.7 million.

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

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

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14 PROJECTS UNDER CONSTRUCTION

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

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

(a) The projects under construction mainly represent the cost of constructing new hotels and renovating existing hotels in addition to other projects. This item includes contractors' cost, project management expenses, design expenses, and advances to contractors, borrowing cost and other miscellaneous expenses.

(b) The Group reviews the progress of these projects periodically. During their latest review of these projects and based on recent economic outlook for different regions in the Kingdom of Saudi Arabia, and taking into consideration the other projects, all while aligning the Group's strategy with that of the Kingdom's vision, the Group decided to cancel certain projects. The Group has therefore impaired the entire capitalized costs of these projects aggregating SR 27.4 million.

The Group did not notice any indicators of impairment for other projects.

(c) Transfers into property and equipment during 2022 amounting SR 42.6 million mainly represent the cost of construction of new apartments in Tabuk Region and cost of renovation of properties in Hospitality and Property Rental segments in Riyadh City (2021: SR 55.6 million mainly represent the cost of construction of renovation of Makkah Hotel).

(d) The amount of borrowing costs capitalised for the year ended 31 December 2022 was SR 2.1 million (31 December 2021: nil). The rate used to determine the amount of borrowing costs eligible for capitalization is the effective interest rate for the borrowings specific to those qualifying assets.

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2022 SR	31 December 2021 SR
Contract liabilities	**69,322,026**	67,504,337
Accrued staff benefits	**23,878,761**	18,488,027
Payable to contractors	**16,328,089**	19,253,629
Retentions payable	**15,719,558**	14,453,636
Accrued financial charges	**11,093,725**	1,405,271
Accrued management and franchising fee	**4,791,691**	1,632,355
Accrued utilities and other services	**3,600,233**	14,913,370
Accrued professional fees and other services	**2,530,180**	7,758,177
Others (*)	**11,846,317**	11,912,738
	159,110,580	157,321,540

(*) This includes accruals for VAT, municipality charges, tobacco tax and other accruals.

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16 TERM LOANS

The Group has secured term loans from number of local banks in the form of Murabaha financing with a total carrying value of SR 1,062 million as at 31 December 2022 (31 December 2021: SR 1,017 million and 1 January 2021: SR 1,033 million) which accrue Murabaha commission at SIBOR plus agreed margin, which are equivalent to the market interest rates. These financing are secured by promissory notes and assignment of proceeds from certain projects' rentals.

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Group was compliant with the loan covenants as at 31 December 2022 and 2021 and 1 January 2021.

	31 December 2022 SR	*31 December 2021 SR*	*1 January 2021 SR*
Term loans	**1,062,668,575**	1,017,271,663	1,033,905,432
Bank overdraft	**37,125,020**	20,831,184	-
	1,099,793,595	1,038,102,847	1,033,905,432

Bank overdraft represents balance in a US dollar bank account resulting from the settlement of the derivative financial instruments as mentioned in note 24.

Classification of the borrowings is as follows:

	31 December 2022 SR	*31 December 2021 SR*	*1 January 2021 SR*
Term loans - current portion	**133,882,321**	271,761,088	209,537,984
Bank overdraft	**37,125,020**	20,831,184	-
Current borrowings	**171,007,341**	292,592,272	209,537,984
Term loans - non- current portion	**928,786,254**	745,510,575	824,367,448
Total borrowings	**1,099,793,595**	1,038,102,847	1,033,905,432

17 LEASE LIABILITIES

The Group's lease contracts include extension options. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised.

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	31 December 2022 ***SR***	31 December 2021 *SR*
As at 1 January	**345,652,935**	385,880,458
Additions	**-**	19,809,907
Lease adjustment	**(13,718,830)**	(56,348,028)
Interest	**15,006,421**	14,632,885
Payments	**(16,009,379)**	(18,322,287)
COVID-19 related rent concession	**(251,035)**	-
As at 31 December	**330,680,112**	345,652,935
The present value of the net lease payments is as follows:		
Current	**34,472,722**	43,343,159
Non-Current	**296,207,390**	302,309,776

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17 LEASE LIABILITIES (CONTINUED)

The following are the amounts recognised in consolidated statement of income:

	31 December 2022 *SR*	31 December 2021 *SR*
Depreciation expense of right-of-use assets	**13,524,044**	14,367,421
Financial charges on lease liabilities	**14,165,906**	13,741,547
Total amount recognised in consolidated statement of income	**27,689,950**	28,108,968

Group as a lessor
The Group has entered into operating leases on its properties. These leases are short term leases, except for one that has been presented in contract assets. Rental income recognised by the Group during the year is SR128.8 million (2020: SR 123.2 million).

18 ZAKAT

The Company and its subsidiaries file their Zakat returns individually based on their financial statements. Therefore, Zakat base is identified and calculated for the Company and its subsidiaries individually, and total estimated Zakat is presented in the consolidated statement of income for the Group.

Movement in provision for Zakat for the years ended 31 December:

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	**13,662,198**	13,323,298
Provided during the year	**4,575,343**	9,312,287
Payments made during the year	**(7,031,713)**	(8,973,387)
At the end of the year	**11,205,828**	13,662,198

Zakat status
The Company and its subsidiaries have filed their Zakat returns with Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2021.

The Company received its zakat assessments from ZATCA up to 31 December 2014 G and for the years 2016, 2017 and 2018.

ZATCA issued zakat assessments for the years from 2015 to 2018. The Company submitted its objections on those assessments. Those objections were accepted by ZATCA, except for an amount of SR 0.86 million for the year 2015. The Company submitted its appeal to the General Secretariat of the Committees ("GSTC"). GSTC accepted the Company's objections for amount of SR 0.62 million and rejected an amount of SR 0.25 million. In May 2022, ZATCA appealed to Appeal Committee for Tax Violations and Disputes Resolution ("ACTVDR") against GSTC decision. The Company has submitted its response to ACTVDR within the timeline required and the outcome has not been finalized yet.

ZATCA issued zakat assessment for the year 2019, which resulted in zakat differences of SR 3.03 million. The Company has paid all the unobjectionable amounts aggregating SR 1.2 million and raised objections to the rest of the items in dispute. This resulted in the issuance of an amended assessment by ZATCA with additional amount of SR 1.04 million. The Company filed an objection with the GSTC to consider the items under objection. The Committee for Resolution of Tax Violations and Disputes "CRTVD" issued its decision and rejected the Company's objection. The Company has appealed to the Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" within the timeline required and the outcome has not been finalized yet.

ZATCA also issued zakat assessment for the year 2020, which resulted in zakat differences of SR 2.11 million. The Company paid all the unobjectionable amounts amounting to SR 1.76 million and objected to the rest of the items in dispute. ZATCA has issued its amended assessment, which included the acceptance of all the items objected to by the Company, thus canceling all zakat obligations related to the year 2020.

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18 ZAKAT (CONTINUED)

ZATCA has not finalized yet the zakat assessment for the year ended 31 December 2021.

ZATCA issued zakat assessments for the subsidiaries for all the years up to 2018.

19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES

General description
The Company and its subsidiaries have post-employment defined benefit plans. The benefits are required by Saudi Labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The most recent actuarial valuation was performed by an independent, qualified actuary, licensed by the Saudi Central Bank, using the projected unit credit method.

Key actuarial assumptions

	31 December 2022	31 December 2021
Salary increase rate	**4.60%**	2.40%
Discount rate	**4.60%**	2.40%
Number of employees covered under terminal benefits plan	**1,202**	1,280

Employees' end of service benefit expense:

	31 December 2022 SR	31 December 2021 SR
Current service cost	**6,952,992**	7,341,668
Interest cost on employees' terminal benefit liabilities	**1,479,351**	1,156,008
Total benefit expense	**8,432,343**	8,497,676

Actuarial gains / (losses)
The actuarial gains / (losses) charged to the consolidated statement of comprehensive income are as follows:

	31 December 2022 SR	31 December 2021 SR
Actuarial gains / (losses) on employees' terminal benefits liabilities	**1,401,464**	(737,058)

Movement of present value of employees' terminal benefits liabilities for the two years ended 31 December:

	31 December 2022 SR	31 December 2021 SR
Opening present value of employees' terminal benefits liabilities	**61,597,789**	59,915,810
Employees' terminal benefit expense	**8,432,343**	8,497,676
Employees' terminal benefits paid	**(7,948,845)**	(7,552,755)
Actuarial (gains) / losses on employees' terminal benefit liabilities	**(1,401,464)**	737,058
Closing present value of employees' terminal benefits liabilities	**60,679,823**	61,597,789

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19 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

Sensitivity analysis
A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as at 31 December is shown below:

Assumptions	Salary increment rate		Discount rate	
Sensitivity level	50 bps increase SR	50 bps decrease SR	50 bps increase SR	50 bps decrease SR
31 December 2022	**61,224,380**	**58,258,753**	**58,358,221**	**61,134,073**
31 December 2021	63,156,774	58,308,774	58,414,598	63,066,458

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employee defined benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following represents the amounts expected to be paid or compensation for employees' terminal benefits that are planned for the coming years:

	31 December 2022 SR	31 December 2021 SR
Within 12 months	**11,426,265**	7,992,876
From two years to five years	**38,929,243**	29,795,183
More than five years	**34,739,627**	31,454,986
	85,095,135	69,243,045

20 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2022: 100 million shares of SR 10 each).

21 STATUTORY RESERVE

In accordance with the Company's bylaws, the Company is required to transfer 10% of its annual net income to a statutory reserve until the reserve equals to 30% of the paid share capital. Statutory reserve balance reached 50% of the share capital due to transfers in the prior years and the Company decided to discontinue such transfers. This reserve is not available for distribution.

22 CONSENSUAL RESERVE

In accordance with the Company's By-law, the Company had allocated 5% of its annual net income to a consensual reserve. Due to transfers in prior years, the Company decided to discontinue such transfer. In December 2021, the General Assembly has resolved to transfer SR 143,002,490 to retained earnings.

23 DIVIDENDS PAYABLE

As at 31 December 2022, current liabilities include the balance of dividends payable amounting to SR 43.7 million (2021: SR 43.9 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the consolidated statement of financial position.

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24 DERIVATIVE FINANCIAL INSTRUMENTS

During 2018 the Group entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Group disputed the validity of these agreements and filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for Resolution of Securities Disputes ("the CRSD"). During 2021, the CRSD has issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations. On 10 March 2022, The Group filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. The Group is pursuing the legal case, regardless of recognizing the derivatives as per the requirements of IFRS, and the potential outcome of the new claim cannot be reasonably estimated as this stage.

The derivatives did not qualify for hedge accounting. The derivatives carried an original maturity of 10 December 2024. One of these derivatives was called back by the financial institution on 10 December 2022.

The table below summarises the fair values of the derivatives, together with the notional amounts:

Derivative financial instruments	***Positive fair value SR***	***Negative fair value SR***
31 December 2022		
Interest rate swaps	**109,916**	**-**
31 December 2021		
Interest rate swaps	10,730,318	(56,542,575)
1 January 2021		
Interest rate swaps	16,028,550	(106,697,719)

The table below summarises the amounts recognized in the consolidated statement of income:

	31 December 2022 ***SR***	31 December 2021 *SR*
Changes in fair value, net	**45,922,173**	44,856,912
Amounts realized during the year, net	**(13,279,309)**	(28,479,100)
Net gain on derivative instruments at FVTPL	**32,642,864**	16,377,812

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25 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following is the disaggregation of the Group's revenue from contracts with customers for the years ended 31 December:

31 December 2022	Hospitality SR	Rental SR	Property Management SR	Total SR
Type of goods or service				
Hospitality services - rooms	**315,598,745**	**-**	**-**	**315,598,745**
Sales of goods - food and beverage	**110,542,855**	**-**	**-**	**110,542,855**
Other hospitality revenues	**10,397,783**	**-**	**-**	**10,397,783**
Rental income	**-**	**128,829,786**	**-**	**128,829,786**
Management fee	**-**	**-**	**3,025,917**	**3,025,917**
Total revenue from contracts with customers	**436,539,383**	**128,829,786**	**3,025,917**	**568,395,086**
Timing of revenue recognition				
Over time	**325,996,528**	**128,829,786**	**3,025,917**	**457,852,231**
At a point in time	**110,542,855**	**-**	**-**	**110,542,855**
Total revenue from contracts with customers	**436,539,383**	**128,829,786**	**3,025,917**	**568,395,086**

31 December 2021	Hospitality SR	Rental SR	Property Management SR	Total SR
Type of goods or service				
Hospitality services - rooms	253,303,875	-	-	253,303,875
Sales of goods - food and beverage	82,259,105	-	-	82,259,105
Other hospitality revenues	12,819,941	-	-	12,819,941
Rental income	-	123,246,132	-	123,246,132
Management fee	-	-	1,520,903	1,520,903
Total revenue from contracts with customers	348,382,921	123,246,132	1,520,903	473,149,956
Timing of revenue recognition				
Over time	266,123,816	123,246,132	1,520,903	390,890,851
At a point in time	82,259,105	-	-	82,259,105
Total revenue from contracts with customers	348,382,921	123,246,132	1,520,903	473,149,956

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26 COST OF REVENUE

	31 December 2022 *SR*	31 December 2021 *SR*
Salaries and benefits	**174,518,159**	159,567,282
Depreciation of property and equipment and right of use assets (notes 12 and 13)	**112,894,788**	112,437,118
Operating supplies	**37,541,980**	43,433,351
Food and beverage	**33,699,767**	30,119,711
Utilities	**26,373,498**	26,848,137
Repair and maintenance	**11,707,280**	12,249,130
Service and operation fees	**12,968,283**	8,758,262
Advertising and promotion activities	**14,367,445**	12,393,257
Commission for travelling agency and credit cards	**6,111,755**	5,647,094
Security and guarding	**271,528**	713,822
Others	**2,994,469**	1,484,820
	433,448,952	413,651,984

27 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2022 SR	31 December 2021 SR
Salaries and other employee benefits	**23,949,764**	19,088,209
Professional fee	**2,791,788**	2,060,472
Board of Director remuneration	**3,896,370**	3,774,000
Subscription	**2,760,427**	2,788,284
Depreciation of property and equipment (note 13)	**1,322,232**	2,110,116
Hospitalities	**1,031,738**	467,657
Expected credit loss (reversals), net (note 6)	**4,817,360**	(734,182)
Others	**1,895,752**	1,737,157
	42,465,431	31,291,713

28 OTHER INCOME, NET

	31 December 2022 SR	31 December 2021 SR
Accruals no longer required (“a”)	**2,220,155**	5,000,000
Consultancy expense (“b”)	-	(6,975,278)
Income from a contractor's settlement (“c”)	-	9,120,000
Reimbursement from ZATCA	-	1,799,088
Others, net	**854,074**	1,109,309
	3,074,229	10,053,119

(a) During 2019, the Group has made a provision for contingent maintenance and other pre-opening expenses of newly constructed hotel. Based on the current year assessment the Group decided that such provision is not required and accordingly has reversed the provision.

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28 OTHER INCOME, NET (CONTINUED)

(b) The Group incurred certain expenses of due diligence and other professional services as a result of proposed merger activities that was later suspended in 2022.

(c) During 2021, the Group has signed a final settlement agreement with a contractor who agreed to settle portion of the Group's claim in relation to one of the real estate projects, which was written off in previous years.

29 COMMITMENTS AND CONTINGENCIES

Capital commitments

a) The Group has entered into capital commitments of SR 286.9 million (2021: SR 117.8 million) related to its capital work in progress.

b) The Group has capital commitment in relation to equity accounted investees' projects under construction of SR 49 million.

Contingencies

a) As at 31 December 2022, the Group had issued letters of guarantee amounting to SR 29.03 million (2021: SR 30.2 million). These guarantees are without cash margin.

b) For Zakat related matters, refer to note 18.

c) For contingency relating to a legal case, in respect of derivatives, refer to note 24.

30 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	31 December 2022 SR	31 December 2021 SR
Income for the year attributable to the equity holders of the Parent	**40,165,884**	1,193,805
Weighted average number of outstanding shares	**100,000,000**	100,000,000
Basic and diluted earnings per share	**0.40**	0.01

31 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors capital using a ratio of 'net debt' to 'equity'. Net debt is calculated as term loans, lease liabilities, trade payables, due to related parties and accrued expenses and other current liabilities (as shown in the consolidated statement of financial position) less cash and cash equivalents.

Equity comprises all components of equity.

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31 CAPITAL MANAGEMENT (CONTINUED)

The Group's net debt to equity ratio as at 31 December was as follows:

	31 December 2022 SR	31 December 2021 SR
Term loans	**1,099,793,595**	1,038,102,847
Lease liabilities	**330,680,112**	345,652,935
Due to related parties	**35,522,175**	37,158,747
Accrued expenses and other current liabilities	**159,110,580**	157,321,540
	1,625,106,462	1,578,236,069
Less: cash and cash equivalents	**(79,705,336)**	(91,647,932)
Net debt	**1,545,401,126**	1,486,588,137
Total equity	**1,658,308,048**	1,616,337,397
Gearing ratio	**93%**	92%

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments risk management objectives and policies
The Group is subject to various financial risks due to its activities including Market risk (comprising currency risk, fair value and cash flows of interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The Group's senior management oversees the management of these risks. Financial instruments carried on the consolidated statement of financial position include cash and bank balances, short term deposits, investments, trade receivables, due from/to related parties, term loans, trade payables and derivatives. The particular recognition methods adopted are disclosed in the accounting policies associated with each item. Financial asset and liability is offset and net amount is reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Equity price risk
The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As Saudi Riyal is pegged to the US Dollar, the Group is not exposed to significant risk.

The management closely and continuously monitors the exchange rate fluctuations.

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32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	100 basis points increase SR	*100 basis points decrease SR*
2022	**(10,622,686)**	**10,622,686**
2021	(10,172,717)	10,172,717

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables, bank balances and short-term deposits and due from related parties as of 31 December:

	31 December 2022 SR	31 December 2021 SR
Bank balances and short-term deposits	**79,056,286**	90,860,474
Trade receivables	**140,709,183**	145,241,390
Due from related parties	**4,442,099**	2,638,431
	224,207,568	238,740,295

The carrying amount of financial assets represents the maximum credit exposure.

Bank balances and short term deposits
The Group has kept its surplus funds with banks in Kingdom of Saudi Arabia having sound credit ratings, therefore, credit risk on bank balance and short term deposits is considered to be insignificant.

Trade receivables
Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer assessed based on an extensive credit rating scorecard and individual credit limits defined in accordance with this assessment.

The Group measures the trade receivable net of provision for expected credit loss. For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs).

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (see note 6).

As at 31 December 2022, around 28% (2021: 22%) of the Group's customers are corporate, and an expected credit loss has been recognised against these customers amounting to SR 1.9 million has been recognised during the year ended 31 December 2022 (2021: SR 1.5 million).

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32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or corporate, their geographic location, industry, trade history with the Group and existence of previous financial difficulties.

Due from related parties
The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period by examining the financial position of each related party and the market in which the related party operates.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders (refer note 5).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at 31 December:

31 December 2022	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	***Total SR***
Term loans	**171,007,341**	**843,518,976**	**85,267,278**	**1,099,793,595**
Trade payables	**19,156,286**	**-**	**-**	**19,156,286**
Due to related parties	**35,522,175**	**-**	**-**	**35,522,175**
Lease liabilities	**34,472,722**	**110,793,038**	**185,414,352**	**330,680,112**
	260,158,524	**954,312,014**	**270,681,630**	**1,485,152,168**

31 December 2021	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	***Total SR***
Term loans	292,592,272	745,510,575	-	1,038,102,847
Trade payables	41,327,895	-	-	41,327,895
Due to related parties	37,158,747	-	-	37,158,747
Lease liabilities	43,343,159	39,923,384	262,386,392	345,652,935
	414,422,073	785,433,959	262,386,392	1,462,242,424

33 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of cash and bank balances, short term deposits, investments, trade receivables and due from related parties. Its financial liabilities consist of term loans, trade payables, due to related parties and derivatives.

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33 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The management assessed that fair value of cash and bank balances, short term deposits, trade receivables, amounts due from related parties, trade payables and amounts due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments. As for term loans, the fair value does not materially differ from the book value included in the consolidated financial statements as the current interest rates prevailing in the market for similar financial instruments do not significantly differ from the contracted prices.

The investment at FVOCI is classified within Level 3 of the fair value levels and measured by management at fair value using the two income methods (discounted cash flows) and market (Price-to-earnings Ratio) methods.

For derivative financial instruments, the fair value is calculated using valuation techniques include swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

Financial Assets

	31 December 2022 SR	31 December 2021 SR
Financial assets at fair value		
Investment at FVOCI	**2,520,084**	2,101,657
Derivative financial instrument	**109,916**	10,730,318
Total financial assets carried at fair value	**2,630,000**	12,831,975
Financial assets at amortised cost		
Cash and cash equivalents	**79,705,336**	91,647,932
Trade receivables	**140,709,183**	145,241,390
Due from related parties	**4,442,099**	2,638,431
Total financial assets at amortised cost	**224,856,618**	239,527,753
Total financial assets	**227,486,618**	252,359,728
Total current financial assets	**224,856,618**	250,258,071
Total non-current financial assets	**2,630,000**	2,101,657
	227,486,618	252,359,728

Financial liabilities

	31 December 2022 SR	31 December 2021 SR
Financial liabilities at fair value		
Derivative financial instrument	-	56,542,575
Financial liabilities at amortised cost		
Trade payables	**19,156,286**	41,327,895
Term loans	**1,099,793,595**	1,038,102,847
Due to related parties	**35,522,175**	37,158,747
Total financial liabilities at amortised cost	**1,154,472,056**	1,173,132,064
Total current financial liabilities	**225,685,802**	427,621,489
Total non-current financial liabilities	**928,786,254**	745,510,575
	1,154,472,056	1,173,132,064

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

34 SIGNIFICANT EVENTS

The Company's board of directors, on 23 Juma'ada I 1444H (corresponding to 17 December 2022), signed a non-binding Memorandum of Understanding ("MOU") with Taiba Investments Company ("Taiba") A Saudi Joint Stock Company for potential acquisition ("Proposed Transaction") of the Company with Taiba.

Pursuant to the MOU, the Proposed Transaction would be implemented through share exchange offer made by Taiba (in its capacity as the offeror) to Company's shareholders (in their capacity as the offerees) for the purposes of acquiring all of the Company's issued shares. The consideration payable by Taiba to Company's shareholders will be the issuance of new shares in Taiba in accordance with the Merger and Acquisition Regulations issued by the board of the Capital Market Authority ("CMA") and other relevant rules and regulations, which would result in the delisting of Dur Hospitality Company, and it would be a wholly owned subsidiary of Taiba.

The implementation of the Proposed Transaction is subject to the two companies agreeing a final binding agreement that determines the terms and conditions of the transaction, including obtaining all the required regulatory approvals and the approval of the extraordinary general assembly of each company on the transaction and its related matters.

35 PRIOR PERIODS ADUSTMENTS

During the year ended 31 December 2022, the Group has retrospectively processed the accounting of financial derivatives relating to the prior periods in the consolidated financial statements by restating opening balances of the prior period of the statements of shareholders equity and the comparative figures. These adjustments relate to the interest rate swaps, which were not previously recorded by the management.

The impact on the previously reported balances is summarized below:

(a) Impact on equity (increase/(decrease) in equity):

	31 December 2021 **SR**	1 January 2021 SR
Cash and cash equivalents	-	7,647,916
Derivative financial instruments	**10,730,318**	16,028,550
Total assets	**10,730,318**	23,676,466
Term loans - current portion	**(20,831,184)**	-
Derivative financial instruments	**(56,542,575)**	(106,697,719)
Total liability	**(77,373,759)**	(106,697,719)
Net impact on equity	**(66,643,441)**	(83,021,253)

(b) Impact on consolidated statement of profit or loss (increase/(decrease) in profit)

	31 December 2021 SR
Net gain on derivative instruments at fair value through profit or loss	16,377,812
Net impact on profit for the year	16,377,812
Attributable to:	
Equity holders of the parent	16,377,812
Non-controlling interests	-

(c) Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

Basic and diluted, loss for the year attributable to equity holders of the parent	0.16

The change did not have an impact on OCI for the year.

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

35 PRIOR PERIODS ADUSTMENTS (CONTINUED)

(d) Impact on the statement of cashflows:

	31 December 2021
Net cash from operating activities	(28,479,099)

Certain other comparative numbers have been reclassified to conform with the current year presentation.

36 SUBSEQUENT EVENTS

There are no matters that have occurred up to and including the date of the approval of the consolidated financial statements which could materially affect the consolidated financial statements and the related disclosures for the year ended 31 December 2022.

37 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 1 Sha'aban 1444H (corresponding to 21 February 2023).

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months period ended 31 March 2023

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the period ended 31 March 2023

EY
Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
To the shareholders of Dur Hospitality Company
(A Saudi Joint Stock Company)

Introduction:
We have reviewed the accompanying interim condensed consolidated statement of financial position of Dur Hospitality Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2023, and the related interim condensed consolidated statement of comprehensive income for the three months period ended 31 March 2023, and the related interim condensed consolidated changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:
We conducted our review in accordance with International Standard on Review Engagements 2410,"Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily from persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 20 Shawwal 1444H
(10 May 2023)

EY
CR. 1010383821
Ernst & Young Professional Services (Professional LLC)

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023

	Note	*31 March 2023 (Unaudited) SR*	*31 December 2022 (Audited) SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**70,081,783**	85,347,614
Trade receivables	6	**138,337,352**	133,821,186
Prepayments and other current assets	7	**91,024,290**	89,176,047
Inventories		**23,407,395**	21,774,628
Derivative financial instrument	8	**109,916**	109,916
TOTAL CURRENT ASSETS		**322,960,736**	330,229,391
NON-CURRENT ASSETS			
Investments at fair value through other comprehensive income (FVOCI)		**2,520,084**	2,520,084
Investments in equity accounted investees		**33,066,318**	33,066,318
Right of use assets	9	**198,544,066**	201,999,960
Property and equipment	10	**2,651,602,091**	2,673,840,935
Projects under construction	11	**219,414,297**	175,213,850
TOTAL NON-CURRENT ASSETS		**3,105,146,856**	3,086,641,147
TOTAL ASSETS		**3,428,107,592**	3,416,870,538
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Term loans - current portion	13	**175,039,563**	171,007,341
Lease liabilities - current portion	14	**45,477,428**	34,472,722
Trade payables		**33,887,554**	24,798,564
Accrued expenses and other current liabilities	12	**161,834,410**	152,498,046
Due to related parties		**35,042,603**	35,246,712
Dividend payable	17	**43,652,117**	43,659,810
Provision for zakat	15	**5,084,750**	11,205,828
TOTAL CURRENT LIABILITIES		**500,018,425**	472,889,023
NON-CURRENT LIABILITIES			
Term loans – non-current portion	13	**900,547,636**	928,786,254
Lease liabilities – non-current portion	14	**288,909,111**	296,207,390
Employees' terminal benefits		**62,601,557**	60,679,823
TOTAL NON-CURRENT LIABILITIES		**1,252,058,304**	1,285,673,467
TOTAL LIABILITIES		**1,752,076,729**	1,758,562,490
EQUITY			
Share capital	16	**1,000,000,000**	1,000,000,000
Statutory reserve		**500,000,000**	500,000,000
Retained earnings		**120,446,248**	103,460,229
Revaluation reserve of investment at fair value through OCI		**(4,479,916)**	(4,479,916)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**1,615,966,332**	1,598,980,313
Non-controlling interests		**60,064,531**	59,327,735
TOTAL EQUITY		**1,676,030,863**	1,658,308,048
TOTAL LIABILITIES AND EQUITY		**3,428,107,592**	3,416,870,538

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three months period ended 31 March 2023

	Note	*For the three-month period ended 31 March* ***2023 SR***	*2022* SR *(Restated Note 26)*
REVENUE			
Hospitality income	18	**134,722,710**	113,854,786
Rental income	18	**32,526,503**	31,370,633
Management fees income	18	**901,036**	438,006
TOTAL REVENUE		**168,150,249**	145,663,425
Cost of revenues	19	**(116,712,534)**	(110,458,550)
GROSS PROFIT		**51,437,715**	35,204,875
EXPENSES			
Selling and marketing expenses		**(984,119)**	(391,954)
General and administrative expenses	20	**(11,440,230)**	(11,496,275)
TOTAL EXPENSES		**(12,424,349)**	(11,888,229)
OPERATING INCOME		**39,013,366**	23,316,646
Financial charges		**(14,773,570)**	(6,798,379)
Financial charges on lease liabilities	14	**(3,587,860)**	(3,410,224)
Finance income	5	**103,101**	23,453
Other (expenses) / income, net	21	**(1,408,222)**	2,325,755
Net gain on derivative instruments at fair value through profit or loss		**-**	19,530,356
INCOME BEFORE ZAKAT		**19,346,815**	34,987,607
Zakat	15	**(1,624,000)**	(2,342,055)
NET INCOME FOR THE PERIOD		**17,722,815**	32,645,552
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**17,722,815**	32,645,552
Attributable to:			
Equity holders of the parent		**16,986,019**	32,329,193
Non-controlling interests		**736,796**	316,359
		17,722,815	32,645,552
Earnings per share			
Basic and diluted earnings per share for the attributable to equity holders of the parent	23	**0.17**	0.32

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

TAIBA INVESTMENTS

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months period ended 31 March 2023

	Attributable to the equity holders of the parent						
	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Revaluation reserve of investment at fair value through OCI SR*	*Total equity attributable to shareholders of the parent Company SR*	*Non-controlling interests SR*	*Total equity SR*
For the three months period ended 31 March 2023							
At 1 January 2023 (audited)	**1,000,000,000**	**500,000,000**	**103,460,229**	**(4,479,916)**	**1,598,980,313**	**59,327,735**	**1,658,308,048**
Total comprehensive income for the period	**-**	**-**	**16,986,019**	**-**	**16,986,019**	**736,796**	**17,722,815**
At 31 March 2023 (unaudited)	**1,000,000,000**	**500,000,000**	**120,446,248**	**(4,479,916)**	**1,615,966,332**	**60,064,531**	**1,676,030,863**
For the three months period ended 31 March 2022							
At 1 January 2022 (audited)	1,000,000,000	500,000,000	61,847,817	(4,898,343)	1,556,949,474	59,387,923	1,616,337,397
Total comprehensive income for the period	-	-	32,329,193	-	32,329,193	316,359	32,645,552
At 31 March 2022 (unaudited)	1,000,000,000	500,000,000	94,177,010	(4,898,343)	1,589,278,667	59,704,282	1,648,982,949

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

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Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three months period ended 31 March 2023

	Note	*For the three months period ended 31 March* 2023 SR	2022 SR (Restated Note 26)
OPERATING ACTIVITIES			
Income before zakat		**19,346,815**	34,987,607
Adjustments for:			
Depreciation of property and equipment	10	**24,681,124**	25,566,515
Depreciation of right of use assets	14	**3,427,082**	3,592,182
Provision of expected credit losses on trade receivables, net	6	**2,170,886**	2,646,984
Gain on sale of property and equipment		**(15,650)**	-
Provision for employees' terminal benefits		**3,112,679**	2,119,933
Financial charges on lease liabilities	14	**3,587,860**	3,410,224
Financial charges on term loans		**14,633,508**	5,885,171
Gain on change in fair value of derivatives at FVTPL, net		**-**	(24,591,070)
		70,944,304	53,617,546
Working capital changes:			
Trade receivables		**(6,687,052)**	(27,445,949)
Prepayments and other current assets		**(1,848,243)**	(7,076,021)
Inventories		**(1,632,767)**	(1,999,279)
Trade payables		**9,088,990**	(4,447,703)
Accrued expenses and other current liabilities		**8,241,915**	11,502,502
Due to related parties		**(204,109)**	(363,824)
Cash from operations		**77,903,038**	23,787,272
Zakat paid	15	**(7,745,078)**	-
Employees' terminal benefits paid		**(1,190,945)**	(2,003,419)
Net cash from operating activities		**68,967,015**	21,783,853
INVESTING ACTIVITIES			
Additions to property and equipment	10	**(2,442,282)**	(6,478,065)
Additions to projects under construction		**(42,029,359)**	(26,795,280)
Proceeds from sale of property and equipment		**15,652**	66,931
Net cash used in investing activities		**(44,455,989)**	(33,206,414)
FINANCING ACTIVITIES			
Proceeds from term loans		**21,808,654**	100,099,715
Repayment of term loans		**(46,015,050)**	(88,122,881)
Dividends paid		**(7,693)**	(117,291)
Financial charges paid on term loans		**(15,562,768)**	(4,497,663)
Net cash (used in) from financing activities		**(39,776,857)**	7,361,880
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(15,265,831)**	(4,060,681)
Cash and cash equivalents at the beginning of the period		**48,222,594**	74,444,281
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**32,956,763**	70,383,600

NON-CASH TRANASCATIONS:		
Finance cost on lease capitalized in projects under construction	**118,567**	226,293
Finance cost on term loans capitalized in projects under construction	**2,023,709**	-
Depreciation of right of use assets capitalized in projects under construction	**28,812**	79,569

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months period ended 31 March 2023

1 ACTIVITIES

Dur Hospitality Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company formed under the Regulations for Companies and is registered in the Riyadh, Kingdom of Saudi Arabia ("KSA") under the commercial registration number 1010010726 dated 6 Muharram 1397H (corresponding to 27 December 1976).

The Company's principal activities comprise of the construction, acquisition, operation, management, through partnership and rent of hotels, restaurants, motels, rest stops, entertainment centers, travel agencies, private and public roads and tourism areas. In addition, the activities include the acquisition, development and sale of lands and construction of buildings thereon or rent of lands, providing services to pilgrims and visitors of the Prophet's (PBUH) Mosque. The Company carry out its activities by itself or through others jointly or separately.

These interim condensed consolidated financial statements include the financial information of the Company and the following subsidiaries (together referred to as the "Group"):

Subsidiaries	*Share Capital SR*	*Direct and indirect Ownership %* ***31 March 2023***	*31 December 2022*
Makkah Hotels Company Limited	165,600,000	**99.44%**	99.44%
Saudi Hotel Services Company	70,000,000	**70%**	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	**98.73%**	98.73%
Nuzul Shada Hospitality Company	40,000,000	**60%**	60%
Tabuk Hotels Company Limited	27,300,000	**97.14%**	97.14%
Jude Alia Company Limited	100,000	**99%**	99%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95%**	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	**100%**	100%
Dara Oasis Company Limited (One Person Company)	100,000	**100%**	100%
Dur Real Estate Communities Company (One Person Company)	100,000	**100%**	100%
Alsarh Alaniq operation and maintenance Company (One Person Company)	100,000	**100%**	100%

The following are details of the subsidiaries and their activities:

Makkah Hotels Company Limited
Makkah Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4031011879 dated 20 Ramadan 1402H (corresponding to 12 July 1982). The company is engaged in hospitality services inside and outside the KSA. The company owns Makarem Ajyad Hotel in Makkah.

Saudi Hotel Services Company Limited
Saudi Hotel Services Company is a Saudi limited liability company and is registered under the commercial registration number 1010010454 dated 11 Dhul-Qadah 1396H (corresponding to 4 November 1976). The company owns Crown Plaza - Riyadh Palace Hotel.

Alnakheel for Tourist Areas Company Limited
Alnakheel for Tourist Areas Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4030092204 dated 22 Jumad Thani 1413H (corresponding to 17 December 1992). The company owns Makarem Alnakheel Hotel and Resort in Jeddah.

Nuzul Shada Hospitaltiy Company
Nuzul Shada Hospitality Company is a Saudi limited liability company and is registered under the Commercial Registration number 4030166369 dated 8 Muharram 1428H (corresponding to 27 January 2007). The company is engaged in general construction of residential buildings, management and leasing of owned and leased real estate (residential), and management and leasing of real estate owned or leased (non-residential).

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) (CONTINUED)
For the three months period ended 31 March 2023

1 ACTIVITIES (CONTINUED)

Tabuk Hotels Company Limited
Tabuk Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 3550006303 dated 5 Rabi Thani 1406H (corresponding to 17 December 1985). The company owns Holiday Inn Tabuk Hotel.

Jude Alia Company Limited
Jude Alia Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010428949 dated 25 Safar 1436H (corresponding to 17 December 2014). The principal activities of the company include building and construction.

Al Sawaed Al Kareemah Investment and Real Estate Development Company
Al Sawaed Al Kareemah Investment and Real Estate Development Company is a Saudi limited liability company and is registered under the commercial registration number 1010437489 dated 26 Dhul-Qadah 1436H (corresponding to 10 September 2015). The company is engaged in construction, transportation, storage, refrigeration, financial and business services, as well as tourist accommodation services pursuant to the license of the Saudi Commission for Tourism and National Heritage No. (37/0096/F) dated 6 Safar 1437H (corresponding to 18 November 2015).

Sofraa Al Ewaa Hospitality Company
Sofraa Al Ewaa Hospitality Company is Saudi One Person limited liability company and is registered under commercial registration number 1010901133 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing hospitality services, establishment of restaurants, hotels and exhibitions.

Dara Oasis Company Limited
Dara Oasis Company Limited is a Saudi One Person limited liability company and is registered under commercial registration number 1010901132 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing tourism activities.

Dur Real Estate Communities Company (One Person Company)
Dur Real Estate Communities Company (one person company) is a Saudi limited liability company registered under CR No. 1010596957 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is the management and leasing of owned or leased residential and non-residential properties.

Alsarh Alaniq Operation and Maintenance Company
Alsarh Alaniq operation and maintenance Company (one-person company) is a Saudi limited liability company registered under CR No. 1010596958 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is cleaning of new buildings after construction.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim condensed consolidated financial statements do not include all information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended 31 December 2022.

2.2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for:
- investment in equity instruments at FVOCI and derivative financial instruments, which are measured at fair value; and
- employees’ end of service benefits which are measured under projected credit unit method.

Further, these interim condensed consolidated financial statements have been prepared using accrual basis of accounting and on the basis that it will continue to operate as a going concern.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) (CONTINUED)
For the three months period ended 31 March 2023

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional and presentation currency of the Group. These interim condensed consolidated financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

2.4 New standard and amendments issued and effective

Following are standards and amendments, which are effective for annual periods beginning on or before 1 January 2023:

Name of standard, amendment, or interpretation
- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

These standard and amendments had no impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.5 New standard and amendments issued but not yet effective

There are new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements as listed.

Name of standard, amendment, or interpretation	Effective date
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standard and amendments will have no impact on the interim condensed consolidated financial statements of the Group.

3 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. The differences arising on revisions to estimates are recognised prospectively.

The significant judgments, assumptions and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's annual consolidated financial statements for the year ended 31 December 2022.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Dur Hospitality Company
(A Saudi Joint Stock Company)
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4 OPERATING SEGMENTS

The Group has the following strategic divisions, which represents its reportable segments. These segments offer different services and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

All the Group's businesses are located in the Kingdom of Saudi Arabia. The following summary describes the operations of each reportable segment:

Hospitality	:	represents hotels owned by the Group and revenues generated through them whether these hotels are operated by the Group or by a third party.
Property management	:	represents management and operation of hotels and properties that are not owned by the Group.
Property rental	:	represents properties owned by the Group which are leased to others. These properties primarily comprise of residential compounds and commercial complexes.
Others	:	represents corporate office and other support services departments.

Following is a summary of certain financial information for the two periods ended 31 March:

2023 SAR (Unaudited)	***Hospitality***	***Property management***	***Property rental***	***Others***	***Eliminations***	***Total***
Revenue from external customers	**134,722,710**	**901,036**	**32,526,503**	**-**	**-**	**168,150,249**
Inter-segment revenue	**330,000**	**6,200,235**	**1,678,372**	**-**	**(8,208,607)**	**-**
Cost of revenue	**111,265,391**	**1,096,044**	**12,458,456**	**-**	**(8,107,357)**	**116,712,534**
Gross profit	**23,787,319**	**6,005,227**	**21,746,419**	**-**	**(101,250)**	**51,437,715**
Depreciation of property and equipment and right of use assets	**21,909,081**	**-**	**6,199,125**	**-**	**-**	**28,108,206**
Property and equipment	**1,780,918,382**	**-**	**870,683,709**	**-**	**-**	**2,651,602,091**
Right of use assets	**179,892,917**	**-**	**18,651,149**	**-**	**-**	**198,544,066**
Projects under construction	**121,815,279**	**-**	**97,599,018**	**-**	**-**	**219,414,297**
Total assets	**1,386,332,839**	**6,719,648**	**1,836,039,433**	**659,994,338**	**(460,978,666)**	**3,428,107,592**
Total liabilities	**1,464,101,321**	**14,706,900**	**246,982,688**	**37,079,157**	**(10,793,337)**	**1,752,076,729**

2022 SAR (Unaudited)	*Hospitality*	*Property management*	*Property rental*	*Others*	*Eliminations*	*Total*
Revenue from external customers	113,854,786	438,006	31,370,633	-	-	145,663,425
Inter-segment revenue	750,000	4,929,899	1,853,372	-	(7,533,271)	-
Cost of revenue	105,362,952	807,572	11,720,047	-	(7,432,021)	110,458,550
Gross profit	9,241,834	4,560,333	21,503,958	-	(101,250)	35,204,875
Depreciation of property and equipment and right of use assets	23,324,103	-	5,834,594	-	-	29,158,697
Property and equipment	1,799,491,090	-	892,843,703	-	-	2,692,334,793
Right of use assets	206,793,998	-	19,095,359	-	-	225,889,357
Projects under construction	109,591,050	-	13,017,147	-	-	122,608,197
Total assets	1,706,801,347	6,551,596	1,594,185,625	657,088,829	(520,938,657)	3,443,688,740
Total liabilities	1,642,937,496	13,084,885	146,370,374	881,878	(55,681,927)	1,747,592,706

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4 OPERATING SEGMENTS (CONTINUED)

Reconciliation of information on reportable segments to income before zakat of the Group for the two periods ended 31 March:

	2023 SR	*2022 SR (Restated Note 26)*
Gross profit of operating segments	**51,437,715**	35,204,875
Un-allocated amount:		
Selling and marketing expenses	**(984,119)**	(391,954)
General and administration expenses	**(11,440,230)**	(11,496,275)
Financial charges on term loans	**(14,773,570)**	(6,798,379)
Financial charges on lease liabilities	**(3,587,860)**	(3,410,224)
Finance income	**103,101**	23,453
Other (expenses) / income, net	**(1,408,222)**	2,325,755
Net gain on derivative financial instruments at FVTPL	-	19,530,356
Total un-allocated amounts	**(32,090,900)**	(217,268)
Income before zakat	**19,346,815**	34,987,607

5 CASH AND CASH EQUIVALENTS

	31 March 2023 SR	***31 December 2022 SR***
Bank balances	**55,874,240**	73,698,564
Short term deposits	**13,500,000**	11,000,000
Cash on hand	**707,543**	649,050
Cash and cash equivalents	**70,081,783**	85,347,614
Bank overdraft (note 13)	**(37,125,020)**	(37,125,020)
Cash and cash equivalents (for interim condensed consolidated statement of cash flows)	**32,956,763**	48,222,594

(a) Short term deposits represent Murabaha deposits with commercial banks and the maturity average of those deposits ranges between 30 to 90 days and bears an average Murabaha commission of 493 basis points. Finance income for the three months period ended 31 March 2023 amounted to SR 103,101 (31 March 2022: SR 23,453).

(b) As at 31 March 2023, the Group has available cash facilities amounting SR 416.9 million (31 December 2022: SR 438.7 million) representing unwithdrawn cash from the cash facility granted.

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6 TRADE RECEIVABLES

	31 March 2023 SR	*31 December 2022 SR*
Trade receivables	**170,227,307**	163,540,255
Expected credit loss (ECL)	**(31,889,955)**	(29,719,069)
	138,337,352	133,821,186

Movement of expected credit loss is as follows:

	31 March 2023 SR	*31 December 2022 SR*
At 1 January	**29,719,069**	25,233,972
Charge for the period / year	**2,468,841**	4,927,895
Recovered during the period / year	**(297,955)**	(110,535)
Bad debts written off during the period / year	**-**	(332,263)
At the end of the period/ year	**31,889,955**	29,719,069

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 March 2023 SR	*31 December 2022 SR*
Advance for rent (*)	**51,818,607**	58,818,607
Prepayments	**6,922,294**	6,359,973
Contract assets	**6,298,057**	6,192,289
Advances to suppliers	**6,285,821**	3,758,955
Amounts due from related parties	**3,470,599**	4,442,099
Advances to employees	**3,024,689**	3,270,738
Advances for real estate projects	**1,796,104**	1,796,104
Others	**11,408,119**	4,537,282
	91,024,290	89,176,047

(*) Advance for rent represent a payment to lease a hotel building in Makkah Al-Mukaramah for period a of three and a half years. The Group terminated the lease contract during 2020 and the amount will be recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. During 2021, the Group filed a lawsuit against the lessor in order to enforce the collateral on the hotel land and recover the advance for rent. During the three months period ended 31 March 2023, the Group has received SR 7 million. Management believes that the outstanding amount is fully recoverable as it is secured through collateral on the title deed of the hotel's land owned by the lessor.

8 DERIVATIVES FINANCIAL INSTRUMENTS

During 2018 the Group entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. The derivatives carried an original maturity of 10 December 2024. One of these derivatives was called back by the financial institution on 10 December 2022. The mentioned agreements are under legal case against the local financial institution (note 22 – c).

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8 DERIVATIVES FINANCIAL INSTRUMENTS (continued)

The fair value of the Group derivative financial instrument as of 31 March 2023 is SR 0.109 million (31 December 2022: SR 0.109 million).

During the three months period ended 31 March 2023, the net gain from derivative financial instrument is nil (31 March 2022: SR 19.5 million) (note 26).

The derivatives did not qualify for hedge accounting.

9 RIGHT OF USE ASSETS

The Group leases several assets including lands and a building. Information about assets for which the Group is a lessee is presented below:

	Lands	*Buildings*	*Total*
	SR	*SR*	*SR*
Cost:			
As at 1 January and 31 March 2023	**54,973,553**	**207,408,999**	**262,382,552**
Depreciation:			
As at 1 January 2023	**8,094,928**	**52,287,664**	**60,382,592**
Charge for the period	**595,779**	**2,860,115**	**3,455,894**
As at 31 March 2023	**8,690,707**	**55,147,779**	**63,838,486**
Net book values:			
As at 31 March 2023	**46,282,846**	**152,261,220**	**198,544,066**
Cost:			
As at 1 January 2022	54,973,553	221,127,829	276,101,382
Lease adjustments (a)	-	(13,718,830)	(13,718,830)
As at 31 December 2022	54,973,553	207,408,999	262,382,552
Depreciation:			
As at 1 January 2022	5,710,560	40,829,714	46,540,274
Charge for the year	2,384,368	11,457,950	13,842,318
As at 31 December 2022	8,094,928	52,287,664	60,382,592
Net book values:			
As at 31 December 2022	46,878,625	155,121,335	201,999,960

(a) Lease adjustments represent changes made to lease payments and terms agreed upon with the lessor.

(b) There were no leases with residual value guarantees to which the Group is committed.

(c) The depreciation charge has been allocated in the interim condensed consolidated statement of income to cost of revenue.

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10 PROPERTY AND EQUIPMENT

	Lands	*Buildings*	*Building's improvements*	*Furniture*	*Motor vehicles*	*Machinery and equipment*	*Elevators and central air conditioning*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:								
At the beginning of the period	**744,072,519**	**2,196,741,425**	**153,950,981**	**399,822,286**	**7,578,306**	**203,586,058**	**115,800,263**	**3,821,551,838**
Additions	-	-	**669,673**	**273,232**	-	**1,357,877**	**141,500**	**2,442,282**
Disposals	-	-	-	-	**(182,800)**	-	-	**(182,800)**
At 31 March 2023	**744,072,519**	**2,196,741,425**	**154,620,654**	**400,095,518**	**7,395,506**	**204,943,935**	**115,941,763**	**3,823,811,320**
Accumulated depreciation								
At the beginning of the period	-	**618,745,012**	**105,060,089**	**276,937,473**	**6,814,254**	**97,082,891**	**43,071,184**	**1,147,710,903**
Charge for the period	-	**10,373,037**	**2,931,816**	**5,820,632**	**59,497**	**4,665,684**	**830,458**	**24,681,124**
Disposals	-	-	-	-	**(182,798)**	-	-	**(182,798)**
As 31 March 2023	-	**629,118,049**	**107,991,905**	**282,758,105**	**6,690,953**	**101,748,575**	**43,901,642**	**1,172,209,229**
Net Book Value:								
As at 31 March 2023	**744,072,519**	**1,567,623,376**	**46,628,749**	**117,337,413**	**704,553**	**103,195,360**	**72,040,121**	**2,651,602,091**

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10 PROPERTY AND EQUIPMENT (CONTINUED)

	Lands SR	*Buildings SR*	*Building's improvements SR*	*Furniture SR*	*Motor vehicles SR*	*Machinery and equipment SR*	*Elevators and central air conditioning SR*	*Total SR*
Cost:								
At the beginning of the year	744,072,519	2,173,942,670	142,337,318	403,458,073	7,783,678	187,653,667	114,813,941	3,774,061,866
Additions	-	2,521,000	6,187,184	4,000,301	244,724	9,293,013	228,070	22,474,292
Disposals	-	-	-	(14,352,616)	(450,096)	(957,561)	(377,743)	(16,138,016)
Transfer from projects under construction (note 11)	-	20,277,755	5,426,479	8,195,138	-	7,596,939	1,135,995	42,632,306
Adjustments (a)	-	-	-	(1,478,610)	-	-	-	(1,478,610)
As 31 December 2022	744,072,519	2,196,741,425	153,950,981	399,822,286	7,578,306	203,586,058	115,800,263	3,821,551,838
Accumulated depreciation								
At the beginning of the year	-	576,651,826	93,874,820	265,993,909	7,036,576	79,037,544	39,977,017	1,062,571,692
Charge for the year	-	42,093,186	11,185,269	24,803,330	227,774	18,920,720	3,462,697	100,692,976
Disposals	-	-	-	(13,859,766)	(450,096)	(875,373)	(368,530)	(15,553,765)
As 31 December 2022	-	618,745,012	105,060,089	276,937,473	6,814,254	97,082,891	43,071,184	1,147,710,903
Net Book Value:								
As at 31 December 2022	744,072,519	1,577,996,413	48,890,892	122,884,813	764,052	106,503,167	72,729,079	2,673,840,935

(a) During the year ended 31 December 2022, the Group re-estimated cost of certain items of the projects by SR 1.5 million.

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11 PROJECTS UNDER CONSTRUCTION

Movement in projects under construction is as follows:

	For the three months period ended 31 March 2023 SR	*For the year ended 31 December 2022 SR*
At the beginning of the period/year	**175,213,850**	95,507,055
Additions during the period / year	**44,200,447**	149,771,785
Transfers to property and equipment (note 10)	**-**	(42,632,306)
Impairment of projects under construction	**-**	(27,432,684)
At the end of the period/year	**219,414,297**	175,213,850

(a) The projects under construction mainly represent the cost of constructing new hotels and renovating existing hotels in addition to other projects. This item includes contractors' costs, project management expenses, design expenses, advances to contractors, borrowing cost and other miscellaneous expenses.

(b) The Group reviews the progress of these projects periodically. During the three months period ended 31 March 2023, the Group did not notice any indicators of impairment for the ongoing projects.

(c) Transfers into property and equipment during 2022 amounting SR 42.6 million mainly represent the cost of construction of new apartments in Tabuk Region and cost of renovation of properties in Hospitality and Property Rental segments in Riyadh City.

12 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 March 2023 SR	*31 December 2022 SR*
Contract liabilities	**69,147,420**	62,434,029
Accrued staff benefits	**20,813,917**	23,878,761
Retentions payable	**18,295,932**	15,719,558
Payable to contractors	**16,016,518**	16,328,089
Accrued financial charges	**12,188,174**	11,093,725
Accrued management and franchising fee	**4,448,977**	4,791,691
Accrued utilities and other services	**2,911,876**	3,600,233
Accrued professional fees and other services	**2,670,531**	2,530,180
Others (*)	**15,341,065**	12,121,780
	161,834,410	152,498,046

(*) This includes accruals for VAT, municipality charges, tobacco tax and other accruals.

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13 TERM LOANS

The Group has secured term loans from number of local banks in the form of Murabaha financing with a total carrying value of SR 1,038 million as at 31 March 2023 (31 December 2022: SR 1,062 million) which accrue Murabaha commission at SIBOR plus agreed margin, which are equivalent to the market interest rates. These financing are secured by promissory notes and assignment of proceeds from certain projects' rentals.

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Group was compliant with the loan covenants as at 31 March 2023 and 31 December 2022.

	31 March 2023 SR	*31 December 2022 SR*
Term loans	**1,038,462,179**	1,062,668,575
Bank overdraft	**37,125,020**	37,125,020
	1,075,587,199	1,099,793,595

Bank overdraft represents balance in a US dollar bank account resulting from the settlement of the derivative financial instruments.

Classification of the borrowings is as follows:

	31 March 2023 SR	*31 December 2022 SR*
Term loans - current portion	**137,914,543**	133,882,321
Bank overdraft	**37,125,020**	37,125,020
Current borrowings	**175,039,563**	171,007,341
Term loans - non- current portion	**900,547,636**	928,786,254
Total borrowings	**1,075,587,199**	1,099,793,595

14 LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities recognised and the movements during the period/year :

	For the three months period ended 31 March 2023 SR	*For the year ended 31 December 2022 SR*
At the beginning of the period/year	**330,680,112**	345,652,935
Lease adjustment	-	(13,718,830)
Interest for	**3,706,427**	15,006,421
Payments	-	(16,009,379)
COVID-19 related rent concession	-	(251,035)
At the end of the period/year	**334,386,539**	330,680,112
The present value of the net lease payments is as follows:		
Current	**45,477,428**	34,472,722
Non-Current	**288,909,111**	296,207,390

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14 LEASE LIABILITIES (CONTINUED)

The following are the amounts recognised in interim condensed consolidated statement of income:

	For the three months period ended	
	31 March2023 SR	*31 March 2022 SR*
Depreciation expense of right-of-use assets	**3,427,082**	3,592,182
Financial charges on lease liabilities	**3,587,860**	3,410,224
Total amount recognised in consolidated statement of income	**7,014,942**	7,002,406

15 ZAKAT

The Company and its subsidiaries file their Zakat returns individually based on their financial statements. Therefore, Zakat base is identified and calculated for the Company and its subsidiaries individually, and total estimated Zakat is presented in the interim condensed consolidated statement of income for the Group.

Movement in provision for Zakat is as follows:

	For the three months period ended 31 March2023 SR	*For the year ended 31 December 2022 SR*
At the beginning of the period/year	**11,205,828**	13,662,198
Provided during the period/year	**1,624,000**	4,575,343
Payments made during the period/year	**(7,745,078)**	(7,031,713)
At the end of the period/year	**5,084,750**	11,205,828

Zakat status
The Company and its subsidiaries have filed their Zakat returns with Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2022.

The Company received its zakat assessments from ZATCA up to 31 December 2014 G and for the years 2016, 2017 and 2018.

ZATCA issued zakat assessments for the years from 2015 to 2018. The Company submitted its objections on those assessments. Those objections were accepted by ZATCA, except for an amount of SR 0.86 million for the year 2015. The Company submitted its appeal to the General Secretariat of the Committees ("GSTC"). GSTC accepted the Company's objections for amount of SR 0.62 million and rejected an amount of SR 0.25 million. In May 2022, ZATCA appealed to Appeal Committee for Tax Violations and Disputes Resolution ("ACTVDR") against GSTC decision. The Company has submitted its response to ACTVDR within the timeline required and the outcome has not been finalized yet.

ZATCA issued zakat assessment for the year 2019, which resulted in zakat differences of SR 3.03 million. The Company has paid all the unobjectionable amounts aggregating SR 1.2 million and raised objections to the rest of the items in dispute. This resulted in the issuance of an amended assessment by ZATCA with additional amount of SR 1.04 million. The Company filed an objection with the GSTC to consider the items under objection. The Committee for Resolution of Tax Violations and Disputes "CRTVD" issued its decision and rejected the Company's objection. The Company has appealed to the Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" within the timeline required and the outcome has not been finalized yet.

ZATCA also issued zakat assessment for the year 2020, which resulted in zakat differences of SR 2.11 million. The Company paid all the unobjectionable amounts amounting to SR 1.76 million and objected to the rest of the items in dispute. ZATCA has issued its amended assessment, which included the acceptance of all the items objected to by the Company, thus canceling all zakat obligations related to the year 2020.

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15 ZAKAT (CONTINUED)

ZATCA has not finalized yet the zakat assessment for the year ended 31 December 2021 and 2022.

ZATCA issued zakat assessments for the subsidiaries for all the years up to 2018.

16 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2022: 100 million shares of SR 10 each).

17 DIVIDENDS PAYABLE

As at 31 March 2023, current liabilities include the balance of dividends payable amounting to SR 43.7 million (31 December 2022: SR 43.7 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the consolidated statement of financial position.

18 REVENUE FROM CONTRACTS WITH CUSTOMERS

Following is the disaggregation of the Group's revenue from contracts with customers:

For the three months period ended 31 March 2023	***Hospitality SR***	***Rental SR***	***Property Management SR***	***Total SR***
Type of goods or service				
Hospitality services - rooms	**101,148,931**	**-**	**-**	**101,148,931**
Sales of goods - food and beverage	**31,311,630**	**-**	**-**	**31,311,630**
Other hospitality revenues	**2,262,149**	**-**	**-**	**2,262,149**
Rental income	**-**	**32,526,503**	**-**	**32,526,503**
Management fee	**-**	**-**	**901,036**	**901,036**
Total revenue from contracts with customers	**134,722,710**	**32,526,503**	**901,036**	**168,150,249**
Timing of revenue recognition				
Over time	**103,411,080**	**32,526,503**	**901,036**	**136,838,619**
At a point in time	**31,311,630**	**-**	**-**	**31,311,630**
Total revenue from contracts with customers	**134,722,710**	**32,526,503**	**901,036**	**168,150,249**

For the three months period ended 31 March 2022	*Hospitality SR*	*Rental SR*	*Property Management SR*	*Total SR*
Type of goods or service				
Hospitality services - rooms	79,237,866	-	-	79,237,866
Sales of goods - food and beverage	29,276,782	-	-	29,276,782
Other hospitality revenues	5,340,138	-	-	5,340,138
Rental income	-	31,370,633	-	31,370,633
Management fee	-	-	438,006	438,006
Total revenue from contracts with customers	**113,854,786**	**31,370,633**	**438,006**	**145,663,425**
Timing of revenue recognition				
Over time	84,578,004	31,370,633	438,006	116,386,643
At a point in time	29,276,782	-	-	29,276,782
Total revenue from contracts with customers	**113,854,786**	**31,370,633**	**438,006**	**145,663,425**

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19 COST OF REVENUES

	For the three-month period ended	
	31 March 2023 SR	*31 March 2022 SR*
Salaries and benefits	**46,773,545**	44,008,901
Depreciation of property and equipment and right of use assets	**27,767,476**	28,816,307
Operating supplies	**10,985,498**	9,647,742
Food and beverage	**9,515,104**	9,351,486
Utilities	**5,978,389**	5,963,722
Service and operation fees	**4,501,452**	2,761,949
Advertising and promotion activities	**4,321,346**	4,012,955
Commission for travelling agency and credit cards	**3,184,915**	2,108,624
Repair and maintenance	**2,864,845**	2,782,469
Security and guarding	**83,513**	164,600
Others	**736,451**	839,795
	116,712,534	110,458,550

20 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month period ended	
	31 March 2023 SR	*31 March 2022 SR*
Salaries and other employee benefits	**6,271,318**	5,401,472
Expected credit loss, net (note 6)	**2,170,886**	2,646,984
Board of Director remuneration	**980,000**	887,500
Subscription	**765,822**	729,799
Professional fee	**494,305**	557,032
Depreciation of property and equipment	**340,730**	342,390
Hospitalities	**147,174**	434,366
Others	**269,995**	496,732
	11,440,230	11,496,275

21 OTHER (EXPENSES) / INCOME, NET

	For the three-month period ended	
	31 March 2023 SR	*31 March 2022 SR*
Consultancy expenses (a)	**(1,423,872)**	-
Accruals no longer required	**-**	2,220,155
Others, net	**15,650**	105,600
	(1,408,222)	2,325,755

(a) The Group incurred certain expenses of due diligence and other professional services as a result of proposed merger activities.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITIED) (CONTINUED)
For the three months period ended 31 March 2023

22 COMMITMENTS AND CONTINGENCIES

Capital commitments

a) The Group has entered into capital commitments of SR 240.3 million (31 December 2022: SR 286.9 million) related to its capital work in progress.

b) The Group has capital commitment in relation to equity accounted investees' projects under construction of SR 49 million (31 December 2022: SR 49 million).

Contingencies

a) As at 31 March 2023, the Group had issued letters of guarantee amounting to SR 29.5 million (31 December 2022: SR 29.03 million). These guarantees are without cash margin.

b) For Zakat related matters, refer to note 15.

c) During 2018 the Group entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Group disputed the validity of these agreements and filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for Resolution of Securities Disputes ("the CRSD"). The financial institution has also filed a lawsuit against the group claiming for the amounts from those agreements. On 14 February 2022, the CRSD has issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations ("CBFDV"). On 10 March 2022, the Group filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. There is no progress on the outcome of the lawsuit as of 31 March 2023. The Group is still pursuing the legal case, regardless of recognizing the derivatives as per the requirements of IFRS, and the potential outcome of the claim cannot be reasonably estimated as this stage.

23 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	31 March 2023 SR	*31 March 2022 SR*
Income for the year attributable to the equity holders of the Parent	**16,986,019**	32,329,193
Weighted average number of outstanding shares	**100,000,000**	100,000,000
Basic and diluted earnings per share	**0.17**	0.32

24 INTERIM RESULTS

The operations and revenues of the Group are affected by the seasonal changes during the year and for certain periods. Therefore, the results of operations for the three months period ended 31 March 2023, may not necessarily be indicative of the annual results of the Group.

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of cash and bank balances, short term deposits, investments, trade receivables and due from related parties. Its financial liabilities consist of term loans, trade payables, due to related parties and derivatives.

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) (CONTINUED)
For the three months period ended 31 March 2023

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The management assessed that fair value of cash and bank balances, short term deposits, trade receivables, amounts due from related parties, trade payables and amounts due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments. As for term loans, the fair value does not materially differ from the book value included in the interim condensed consolidated financial statements as the current interest rates prevailing in the market for similar financial instruments do not significantly differ from the contracted prices.

The investment at FVOCI is classified within Level 3 of the fair value levels and measured by management at fair value using the two income methods (discounted cash flows) and market (Price-to-earnings Ratio) methods.

For derivative financial instruments, the fair value is calculated using valuation techniques include swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

Financial Assets

	31 March 2023 SR	*31 December 2022 SR*
Financial assets carried at fair value		
Investment at FVOCI	**2,520,084**	2,520,084
Derivative financial instrument	**109,916**	109,916
Total financial assets carried at fair value	**2,630,000**	2,630,000
Financial assets carried at amortised cost		
Cash and cash equivalents	**70,081,783**	85,347,614
Trade receivables	**138,337,352**	133,821,186
Due from related parties	**3,470,599**	4,442,099
Total financial assets carried at amortised cost	**211,889,734**	223,610,899
Total financial assets	**214,519,734**	226,240,899
Total current financial assets	**211,889,734**	223,610,899
Total non-current financial assets	**2,630,000**	2,630,000
	214,519,734	226,240,899

Financial liabilities

	31 March 2023 SR	*31 December 2022 SR*
Financial liabilities carried at amortised cost		
Trade payables	**33,887,554**	24,798,564
Term loans	**1,075,587,199**	1,099,793,595
Due to related parties	**35,042,603**	35,246,712
Total financial liabilities carried at amortised cost	**1,144,517,356**	1,159,838,871
Total current financial liabilities	**243,969,720**	231,052,617
Total non-current financial liabilities	**900,547,636**	928,786,254
	1,144,517,356	1,159,838,871

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITIED) (CONTINUED)
For the three months period ended 31 March 2023

26 COMPARATIVE PERIOD ADUSTMENTS

During the three months period ended 31 December 2022, the Group retrospectively processed the accounting of financial derivatives relating to the prior periods. Those adjustments are related to the interest rate swaps, which were not previously recorded by management in the periods prior to 31 December 2022.

The effect of those adjustment on the interim condensed consolidated financial statements for the three months period ended 31 March 2022 has been summarized below:

(a) Impact on interim condensed consolidated statement of profit or loss

	31 March 2022
	SR
Net gain on derivative instruments at fair value through profit or loss	19,530,356
Net impact on profit for the period	19,530,356
Attributable to:	
Equity holders of the Parent	19,530,356
Non-controlling interests	-

(b) Impact on basic and diluted earnings per share (EPS)

Basic and diluted, loss for the year attributable to equity holders of the Parent	0.19

(c) Impact on the statement of cashflows:

	31 March 2022
Net cash used in operating activities	(5,060,714)

Certain other comparative numbers have been reclassified to conform with the current period presentation.

27 SIGNIFICANT EVENTS

The Company's board of directors, on 23 Juma'ada I 1444H (corresponding to 17 December 2022), signed a non-binding Memorandum of Understanding ("MOU") with Taiba Investments Company ("Taiba"), a Saudi Joint Stock Company, for potential acquisition ("Proposed Transaction") of the Company by Taiba.

Pursuant to the MOU, the Proposed Transaction was to be implemented through share exchange offer made by Taiba (in its capacity as the offeror) to Company's shareholders (in their capacity as the offerees) for the purposes of acquiring all of the Company's issued shares. The consideration payable by Taiba to Company's shareholders will be the issuance of new shares in Taiba in accordance with the Merger and Acquisition Regulations issued by the board of the Capital Market Authority ("CMA") and other relevant rules and regulations, which would result in the delisting of Dur Hospitality Company, and it would be a wholly owned subsidiary of Taiba.

Subsequent to the period, the Company entered into a legally binding implementation agreement with Taiba Company on 17/9/1444H (corresponding to 8/4/2023G) (the "Implementation Agreement"), pursuant to which both companies agreed that Taiba Company shall make an offer to acquire all shares in Dur in consideration for newly issued shares in Taiba Company to the shareholders of Dur Company pursuant to Article (26) of the Merger and Acquisition Regulations and the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority, and in accordance with a number of the terms and conditions of the Implementation Agreement.

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITIED) (CONTINUED)
For the three months period ended 31 March 2023

28 SUBSEQUENT EVENTS

1- On 8 April 2023, the Company has entered into a legally binding implementation agreement with Taiba Company (note 27).

2- Subsequent to period end, the Group has received an amount of SR 8 million from the advance for rent paid to rent a hotel in Mecca (note 7).

Except for the above matters, there are no other subsequent events that have occurred up to and including the date of the approval of the interim condensed consolidated financial statements which could materially affect the interim condensed consolidated financial statements and the related disclosures for the period ended 31 March 2023.

29 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

These interim condensed consolidated financial statements were approved on 20 Shawwal 1444H (corresponding to 10 May 2023).

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months and six months periods ended 30 June 2023

Dur Hospitality Company
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the period ended 30 June 2023

EY
Building a better working world

Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DUR HOSPITALITY COMPANY
(A Saudi Joint Stock Company)

Introduction:
We have reviewed the accompanying interim condensed consolidated statement of financial position of Dur Hospitality Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2023, and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily from persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 22 Muharram 1445H
(9 August 2023)

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	*30 June 2023 (Unaudited) SR*	*31 December 2022 (Audited) SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**101,493,156**	85,347,614
Trade receivables	6	**150,088,525**	133,821,186
Prepayments and other current assets	7	**84,983,456**	89,176,047
Inventories		**23,166,036**	21,774,628
Derivative financial instrument	8	**109,916**	109,916
TOTAL CURRENT ASSETS		**359,841,089**	330,229,391
NON-CURRENT ASSETS			
Investments at fair value through other comprehensive income (FVOCI)		**2,520,084**	2,520,084
Investments in equity accounted investees		**39,088,455**	33,066,318
Right of use assets	9	**195,084,673**	201,999,960
Property and equipment	10	**2,631,373,745**	2,673,840,935
Projects under construction	11	**280,198,315**	175,213,850
TOTAL NON-CURRENT ASSETS		**3,148,265,272**	3,086,641,147
TOTAL ASSETS		**3,508,106,361**	3,416,870,538
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Term loans - current portion	13	**221,896,788**	171,007,341
Lease liabilities - current portion	14	**43,698,288**	34,472,722
Trade payables		**30,866,192**	24,798,564
Accrued expenses and other current liabilities	12	**168,939,020**	152,498,046
Due to related parties		**34,841,084**	35,246,712
Dividend payable	17	**43,652,117**	43,659,810
Provision for zakat	15	**6,691,779**	11,205,828
TOTAL CURRENT LIABILITIES		**550,585,268**	472,889,023
NON-CURRENT LIABILITIES			
Term loans – non-current portion	13	**918,135,483**	928,786,254
Lease liabilities – non-current portion	14	**292,660,218**	296,207,390
Employees' terminal benefits		**64,681,387**	60,679,823
TOTAL NON-CURRENT LIABILITIES		**1,275,477,088**	1,285,673,467
TOTAL LIABILITIES		**1,826,062,356**	1,758,562,490
EQUITY			
Share capital	16	**1,000,000,000**	1,000,000,000
Statutory reserve		**500,000,000**	500,000,000
Retained earnings		**127,485,883**	103,460,229
Revaluation reserve of investment at fair value through OCI		**(4,479,916)**	(4,479,916)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**1,623,005,967**	1,598,980,313
Non-controlling interests		**59,038,038**	59,327,735
TOTAL EQUITY		**1,682,044,005**	1,658,308,048
TOTAL LIABILITIES AND EQUITY		**3,508,106,361**	3,416,870,538

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and six-month periods ended 30 June 2023

	Note	*For the three-month period ended 30 June*		*For the six-month period ended 30 June*	
		2023	*2022*	***2023***	*2022*
	Note	***SR***	SR *(Restated Note 26)*	***SR***	SR *(Restated Note 26)*
REVENUE					
Hospitality income	18	**142,278,634**	91,960,610	**277,001,344**	205,815,396
Rental income	18	**33,621,392**	31,912,449	**66,147,895**	63,283,082
Management fees income	18	**1,909,686**	907,115	**2,810,722**	1,345,121
TOTAL REVENUE		**177,809,712**	124,780,174	**345,959,961**	270,443,599
Cost of revenues	19	**(136,657,034)**	(105,421,425)	**(253,369,568)**	(215,879,975)
GROSS PROFIT		**41,152,678**	19,358,749	**92,590,393**	54,563,624
EXPENSES					
Selling and marketing expenses		**(621,002)**	(1,152,306)	**(1,605,121)**	(1,544,260)
General and administrative expenses	20	**(12,497,437)**	(9,479,450)	**(23,937,667)**	(20,975,725)
TOTAL EXPENSES		**(13,118,439)**	(10,631,756)	**(25,542,788)**	(22,519,985)
OPERATING INCOME		**28,034,239**	8,726,993	**67,047,605**	32,043,639
Financial charges		**(15,816,984)**	(10,886,666)	**(30,590,554)**	(17,685,045)
Financial charges on lease liabilities	14	**(3,632,539)**	(3,568,850)	**(7,220,399)**	(6,979,074)
Finance income	5	**120,337**	4,417	**223,438**	27,870
Other (expenses) / income, net	21	**26,589**	635,222	**(1,381,633)**	2,960,977
Net gain on derivative instruments at fair value through profit or loss		**-**	9,218,625	**-**	28,748,981
Share in results of equity accounted investees		**-**	593,556	**-**	593,556
INCOME BEFORE ZAKAT		**8,731,642**	4,723,297	**28,078,457**	39,710,904
Zakat	15	**(1,624,000)**	(718,944)	**(3,248,000)**	(3,060,999)
NET INCOME FOR THE PERIOD		**7,107,642**	4,004,353	**24,830,457**	36,649,905
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**7,107,642**	4,004,353	**24,830,457**	36,649,905
Attributable to:					
Equity holders of the parent		**7,039,635**	4,640,305	**24,025,654**	36,969,498
Non-controlling interests		**68,007**	(635,952)	**804,803**	(319,593)
		7,107,642	4,004,353	**24,830,457**	36,649,905
Earnings per share					
Basic and diluted earnings per share for the attributable to equity holders of the parent	23	**0.07**	0.05	**0.24**	0.37

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months period ended 30 June 2023

	Attributable to the equity holders of the parent						
	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Revaluation reserve of investment at fair value through OCI SR*	*Total equity attributable to shareholders of the parent Company SR*	*Non-controlling interests SR*	*Total equity SR*
For the six months period ended 30 June 2023							
At 1 January 2023 (audited)	**1,000,000,000**	**500,000,000**	**103,460,229**	**(4,479,916)**	**1,598,980,313**	**59,327,735**	**1,658,308,048**
Total comprehensive income for the period	**-**	**-**	**24,025,654**	**-**	**24,025,654**	**804,803**	**24,830,457**
Dividends	**-**	**-**	**-**	**-**	**-**	**(1,094,500)**	**(1,094,500)**
At 30 June 2023 (unaudited)	**1,000,000,000**	**500,000,000**	**127,485,883**	**(4,479,916)**	**1,623,005,967**	**59,038,038**	**1,682,044,005**
For the six months period ended 30 June 2022							
At 1 January 2022 (audited)	1,000,000,000	500,000,000	61,847,817	(4,898,343)	1,556,949,474	59,387,923	1,616,337,397
Total comprehensive income for the period	-	-	36,969,498	-	36,969,498	(319,593)	36,649,905
At 30 June 2022 (unaudited)	1,000,000,000	500,000,000	98,817,315	(4,898,343)	1,593,918,972	59,068,330	1,652,987,302

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six months period ended 30 June 2023

		For the six months period ended 30 June	
		2023	*2022*
	Note	***SR***	*SR* *(Restated Note 26)*
OPERATING ACTIVITIES			
Income before zakat		**28,078,457**	39,710,904
Adjustments for:			
Depreciation of property and equipment	10	**49,542,127**	50,984,501
Depreciation of right of use assets	14	**6,857,662**	6,756,775
Provision of expected credit losses on trade receivables, net	6	**4,243,771**	2,888,282
COVID-19 related rent concession		**-**	(251,035)
Share of results of equity accounted investees		**-**	(593,556)
(Gain) loss on sale of property and equipment		**(37,385)**	86,646
Provision for employees' terminal benefits		**8,198,765**	7,334,801
Financial charges on lease liabilities	14	**7,220,399**	6,979,074
Financial charges on term loans		**30,263,378**	15,011,440
Gain on change in fair value of derivatives at FVTPL, net		**-**	(38,447,711)
		134,367,174	90,460,121
Working capital changes:			
Trade receivables		**(20,511,110)**	(13,495,984)
Prepayments and other current assets		**4,192,591**	(10,711,684)
Inventories		**(1,391,408)**	(1,918,890)
Trade payables		**6,067,628**	1,010,348
Accrued expenses and other current liabilities		**9,583,613**	(7,329,255)
Due to related parties		**(405,628)**	(737,900)
Cash from operations		**131,902,860**	57,276,756
Zakat paid	15	**(7,762,049)**	(7,026,713)
Employees' terminal benefits paid		**(4,197,201)**	(5,930,419)
Net cash from operating activities		**119,943,610**	44,319,624
INVESTING ACTIVITIES			
Additions to property and equipment	10	**(5,477,638)**	(10,482,304)
Additions to projects under construction		**(101,354,802)**	(47,584,358)
Additions to investment in equity accounted investee		**(6,022,137)**	-
Proceeds from investment in equity accounted investees		**-**	3,750,000
Proceeds from sale of property and equipment		**63,612**	515,326
Net cash used in investing activities		**(112,790,965)**	(53,801,336)
FINANCING ACTIVITIES			
Proceeds from term loans		**107,032,750**	108,099,724
Repayment of term loans		**(66,794,074)**	(85,251,857)
Dividends paid		**(7,693)**	(150,366)
Payments of lease liabilities		**(1,779,140)**	(7,957,330)
Financial charges paid on term loans		**(29,458,946)**	(12,018,467)
Net cash from financing activities		**8,992,897**	2,721,704
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**16,145,542**	(6,760,008)
Cash and cash equivalents at the beginning of the period		**48,222,594**	74,444,282
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**64,368,136**	67,684,274
SIGNIFICANT NON-CASH TRANASCATIONS:			
Transfer of projects under construction to property and equipment		**1,623,526**	-
Finance cost on term loans capitalized in projects under construction		**4,958,429**	-
Finance cost on lease capitalized in projects under construction		**237,135**	452,585
Depreciation of right of use assets capitalized in projects under construction		**57,625**	159,137

The attached notes 1 to 29 form an integral part of these interim condensed consolidated financial statements.

Dur Hospitality Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITIED)
30 June 2023

1 ACTIVITIES

Dur Hospitality Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company formed under the Regulations for Companies and is registered in the Riyadh, Kingdom of Saudi Arabia ("KSA") under the commercial registration number 1010010726 dated 6 Muharram 1397H (corresponding to 27 December 1976).

The Company's principal activities comprise of the construction, acquisition, operation, management, through partnership and rent of hotels, restaurants, motels, rest stops, entertainment centers, travel agencies, private and public roads and tourism areas. In addition, the activities include the acquisition, development and sale of lands and construction of buildings thereon or rent of lands, providing services to pilgrims and visitors of the Prophet's (PBUH) Mosque. The Company carry out its activities by itself or through others jointly or separately.

These interim condensed consolidated financial statements include the financial information of the Company and the following subsidiaries (together referred to as the "Group"):

Subsidiaries	*Share Capital SR*	*Direct and indirect Ownership %* ***30 June 2023***	*31 December 2022*
Makkah Hotels Company Limited	165,600,000	**99.44%**	99.44%
Saudi Hotel Services Company	70,000,000	**70%**	70%
Alnakheel for Tourist Areas Company Limited	59,250,000	**98.73%**	98.73%
Nuzul Shada Hospitality Company	40,000,000	**60%**	60%
Tabuk Hotels Company Limited	27,300,000	**97.14%**	97.14%
Jude Alia Company Limited	100,000	**99%**	99%
Al Sawaed Al Kareemah Investment and Real Estate Development Company	100,000	**95%**	95%
Sofraa Al Ewaa Hospitality Company (One Person Company)	100,000	**100%**	100%
Dara Oasis Company Limited (One Person Company)	100,000	**100%**	100%
Dur Real Estate Communities Company (One Person Company)	100,000	**100%**	100%
Alsarh Alaniq operation and maintenance Company (One Person Company)	100,000	**100%**	100%

The following are details of the subsidiaries and their activities:

Makkah Hotels Company Limited
Makkah Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4031011879 dated 20 Ramadan 1402H (corresponding to 12 July 1982). The company is engaged in hospitality services inside and outside the KSA. The company owns Makarem Ajyad Hotel in Makkah.

Saudi Hotel Services Company Limited
Saudi Hotel Services Company is a Saudi limited liability company and is registered under the commercial registration number 1010010454 dated 11 Dhul-Qadah 1396H (corresponding to 4 November 1976). The company owns Crown Plaza - Riyadh Palace Hotel.

Alnakheel for Tourist Areas Company Limited
Alnakheel for Tourist Areas Company Limited is a Saudi limited liability company and is registered under the commercial registration number 4030092204 dated 22 Jumad Thani 1413H (corresponding to 17 December 1992). The company owns Makarem Alnakheel Hotel and Resort in Jeddah.

Nuzul Shada Hospitality Company
Nuzul Shada Hospitality Company is a Saudi limited liability company and is registered under the Commercial Registration number 4030166369 dated 8 Muharram 1428H (corresponding to 27 January 2007). The company is engaged in general construction of residential buildings, management and leasing of owned and leased real estate (residential), and management and leasing of real estate owned or leased (non-residential).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) (CONTINUED)
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1 ACTIVITIES (CONTINUED)

Tabuk Hotels Company Limited
Tabuk Hotels Company Limited is a Saudi limited liability company and is registered under the commercial registration number 3550006303 dated 5 Rabi Thani 1406H (corresponding to 17 December 1985). The company owns Holiday Inn Tabuk Hotel.

Jude Alia Company Limited
Jude Alia Company Limited is a Saudi limited liability company and is registered under the commercial registration number 1010428949 dated 25 Safar 1436H (corresponding to 17 December 2014). The principal activities of the company include building and construction.

Al Sawaed Al Kareemah Investment and Real Estate Development Company
Al Sawaed Al Kareemah Investment and Real Estate Development Company is a Saudi limited liability company and is registered under the commercial registration number 1010437489 dated 26 Dhul-Qadah 1436H (corresponding to 10 September 2015). The company is engaged in construction, transportation, storage, refrigeration, financial and business services, as well as tourist accommodation services pursuant to the license of the Saudi Commission for Tourism and National Heritage No. (37/0096/F) dated 6 Safar 1437H (corresponding to 18 November 2015).

Sofraa Al Ewaa Hospitality Company
Sofraa Al Ewaa Hospitality Company is Saudi One Person limited liability company and is registered under commercial registration number 1010901133 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing hospitality services, establishment of restaurants, hotels and exhibitions.

Dara Oasis Company Limited
Dara Oasis Company Limited is a Saudi One Person limited liability company and is registered under commercial registration number 1010901132 dated 27 Safar 1439H (corresponding to 16 November 2017). The company is engaged in providing tourism activities.

Dur Real Estate Communities Company (One Person Company)
Dur Real Estate Communities Company (one person company) is a Saudi limited liability company registered under CR No. 1010596957 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is the management and leasing of owned or leased residential and non-residential properties.

Alsarh Alaniq Operation and Maintenance Company
Alsarh Alaniq operation and maintenance Company (one-person company) is a Saudi limited liability company registered under CR No. 1010596958 on 30 Muharram 1441H (corresponding to 29 September 2019). The main activity of the company is cleaning of new buildings after construction.

2 MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim condensed consolidated financial statements do not include all information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended 31 December 2022.

2.2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for:
- investment in equity instruments at FVOCI and derivative financial instruments, which are measured at fair value; and
- employees’ end of service benefits which are measured under projected credit unit method.

Further, these interim condensed consolidated financial statements have been prepared using accrual basis of accounting and on the basis that it will continue to operate as a going concern.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional and presentation currency of the Group. These interim condensed consolidated financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

2.4 New standard and amendments issued and effective

Following are standards and amendments, which are effective for annual periods beginning on or before 1 January 2023:

Name of standard, amendment, or interpretation
- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

These standard and amendments had no impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.5 New standard and amendments issued but not yet effective

There are new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements as listed.

Name of standard, amendment, or interpretation	Effective date
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standard and amendments will have no impact on the interim condensed consolidated financial statements of the Group.

3 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. The differences arising on revisions to estimates are recognised prospectively.

The significant judgments, assumptions and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's annual consolidated financial statements for the year ended 31 December 2022.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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30 June 2023

4 OPERATING SEGMENTS

The Group has the following strategic divisions, which represents its reportable segments. These segments offer different services and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

All the Group's businesses are located in the Kingdom of Saudi Arabia. The following summary describes the operations of each reportable segment:

Hospitality	:	represents hotels owned by the Group and revenues generated through them whether these hotels are operated by the Group or by a third party.
Property management	:	represents management and operation of hotels and properties that are not owned by the Group.
Property rental	:	represents properties owned by the Group which are leased to others. These properties primarily comprise of residential compounds and commercial complexes.
Others	:	represents corporate office and other support services departments.

Following is a summary of certain financial information for the period ended 30 June:

2023 SAR (Unaudited)	***Hospitality***	***Property management***	***Property rental***	***Others***	***Eliminations***	***Total***
Revenue from external customers	**277,001,344**	**2,810,722**	**66,147,895**	**-**	**-**	**345,959,961**
Inter-segment revenue	**660,000**	**12,871,463**	**3,356,744**	**-**	**(16,888,207)**	**-**
Cost of revenue	**241,775,131**	**2,333,743**	**25,946,401**	**-**	**(16,685,707)**	**253,369,568**
Gross profit	**35,886,213**	**13,348,442**	**43,558,238**	**-**	**(202,500)**	**92,590,393**
Depreciation of property and equipment and right of use assets	**43,905,287**	**-**	**12,494,502**	**-**	**-**	**56,399,789**
Property and equipment	**1,766,065,940**	**-**	**865,307,805**	**-**	**-**	**2,631,373,745**
Right of use assets	**176,544,342**	**-**	**18,540,331**	**-**	**-**	**195,084,673**
Projects under construction	**159,544,494**	**-**	**118,883,221**	**-**	**-**	**278,427,715**
Total assets	**1,400,507,707**	**10,508,128**	**1,892,573,715**	**660,866,027**	**(456,349,216)**	**3,508,106,361**
Total liabilities	**1,650,261,256**	**16,051,599**	**162,153,895**	**277,916**	**(2,682,310)**	**1,826,062,356**

2022 SAR (Unaudited)	*Hospitality*	*Property management*	*Property rental*	*Others*	*Eliminations*	*Total*
Revenue from external customers	205,815,396	1,345,121	63,283,082	-	-	270,443,599
Inter-segment revenue	1,360,000	9,761,129	3,706,786	-	(14,827,915)	-
Cost of revenue	204,529,853	2,169,892	23,805,645	-	(14,625,415)	215,879,975
Gross profit	2,645,543	8,936,358	43,184,223	-	(202,500)	54,563,624
Depreciation of property and equipment and right of use assets	45,769,093	-	11,972,183	-	-	57,741,276
Property and equipment	1,785,834,621	-	884,551,384	-	-	2,670,386,005
Right of use assets	189,942,138	-	18,984,228	-	-	208,926,366
Projects under construction	115,690,517	-	28,012,618	-	-	143,703,135
Total assets	1,560,202,622	6,037,746	1,696,140,719	644,975,265	(491,220,620)	3,416,135,732
Total liabilities	1,647,123,398	14,211,038	147,275,967	871,223	(43,315,397)	1,766,166,229

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30 June 2023

4 OPERATING SEGMENTS (CONTINUED)

Reconciliation of information on reportable segments to income before zakat of the Group for the period ended 30 June:

	2023 *SR*	*2022* *SR* *(Restated Note 26)*
Gross profit of operating segments	**92,590,393**	54,563,624
Un-allocated amount:		
Selling and marketing expenses	**(1,605,121)**	(1,544,260)
General and administration expenses	**(23,937,667)**	(20,975,725)
Financial charges	**(30,590,554)**	(17,685,045)
Financial charges on lease liabilities	**(7,220,399)**	(6,979,074)
Finance income	**223,438**	27,870
Other (expenses) / income, net	**(1,381,633)**	2,960,977
Net gain on derivative financial instruments at FVTPL	**-**	28,748,981
Share in results of equity accounted investees	-	593,556
Total un-allocated amounts	**(64,511,936)**	(14,852,720)
Income before zakat	**28,078,457**	39,710,904

5 CASH AND CASH EQUIVALENTS

	30 June *2023* *SR*	*31 December* *2022* *SR*
Bank balances	**70,840,729**	73,698,564
Short term deposits	**29,900,000**	11,000,000
Cash on hand	**752,427**	649,050
Cash and cash equivalents	**101,493,156**	85,347,614
Bank overdraft (note 13)	**(37,125,020)**	(37,125,020)
Cash and cash equivalents (for interim condensed consolidated statement of cash flows)	**64,368,136**	48,222,594

(a) Short term deposits represent Murabaha deposits with commercial banks and the maturity average of those deposits ranges between 30 to 90 days and bears an average Murabaha commission of 508 basis points. Finance income for the six months period ended 30 June 2023 amounted to SR 223,438 (30 June 2022: SR 27,870).

(b) As at 30 June 2023, the Group has available cash facilities amounting SR 349.6 million (31 December 2022: SR 438.7 million) representing unwithdrawn cash from the cash facility granted.

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6 TRADE RECEIVABLES

	30 June 2023 SR	*31 December 2022 SR*
Trade receivables	**184,051,365**	163,540,255
Expected credit loss (ECL)	**(33,962,840)**	(29,719,069)
	150,088,525	133,821,186

Movement of expected credit loss is as follows:

	30 June 2023 SR	*31 December 2022 SR*
At 1 January	**29,719,069**	25,233,972
Charge for the period / year	**4,541,726**	4,927,895
Recovered during the period / year	**(297,955)**	(110,535)
Bad debts written off during the period / year	-	(332,263)
At the end of the period/ year	**33,962,840**	29,719,069

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2023 SR	*31 December 2022 SR*
Advance for rent (*)	**43,818,607**	58,818,607
Prepayments	**7,769,424**	6,359,973
Advances to suppliers	**6,633,078**	3,758,955
Contract assets	**6,403,825**	6,192,289
Amounts due from related parties	**6,270,951**	4,442,099
Advances to employees	**3,535,681**	3,270,738
Advances for real estate projects	**1,796,104**	1,796,104
Others	**8,755,786**	4,537,282
	84,983,456	89,176,047

(*) Advance for rent represents a payment to lease a hotel building in Makkah Al-Mukaramah for a period of three and a half years. The Group terminated the lease contract during 2020 and the amount will be recovered from the lessor, and accordingly, the entire advance payment is classified under current assets. During 2021, the Group filed a lawsuit against the lessor in order to enforce the collateral on the hotel land and recover the advance for rent. During the six months period ended 30 June 2023, the Group has received SR 15 million. Management believes that the outstanding amount is fully recoverable as it is secured through collateral on the title deed of the hotel's land owned by the lessor.

8 DERIVATIVE FINANCIAL INSTRUMENTS

During 2018 the Group entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. The derivatives carried an original maturity of 10 December 2024. One of these derivatives was called back by the financial institution on 10 December 2022. The mentioned agreements are under legal case against a local financial institution (note 22 – c).

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8 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of the Group's derivative financial instrument as of 30 June 2023 is SR 0.109 million (31 December 2022: SR 0.109 million).

During the six months period ended 30 June 2023, the net gain from derivative financial instrument is nil (30 June 2022: SR 28.7 million) (note 26).

The derivatives did not qualify for hedge accounting.

9 RIGHT OF USE ASSETS

The Group leases several assets including lands and a building. Information about assets for which the Group is a lessee is presented below:

	Lands	*Buildings*	*Total*
	SR	*SR*	*SR*
Cost:			
As at 1 January and 30 June 2023	**54,973,553**	**207,408,999**	**262,382,552**
Depreciation:			
As at 1 January 2023	**8,094,928**	**52,287,664**	**60,382,592**
Charge for the period	**1,191,559**	**5,723,728**	**6,915,287**
As at 30 June 2023	**9,286,487**	**58,011,392**	**67,297,879**
Net book values:			
As at 30 June 2023	**45,687,066**	**149,397,607**	**195,084,673**
Cost:			
As at 1 January 2022	54,973,553	221,127,829	276,101,382
Lease adjustments (a)	-	(13,718,830)	(13,718,830)
As at 31 December 2022	54,973,553	207,408,999	262,382,552
Depreciation:			
As at 1 January 2022	5,710,560	40,829,714	46,540,274
Charge for the year	2,384,368	11,457,950	13,842,318
As at 31 December 2022	8,094,928	52,287,664	60,382,592
Net book values:			
As at 31 December 2022	46,878,625	155,121,335	201,999,960

(a) Lease adjustments represent changes made to lease payments and terms agreed upon with the lessor.

(b) There were no leases with residual value guarantees to which the Group is committed.

(c) The depreciation charge amounting to SR 0.2 million has been capitalized in projects under construction, whereas the remaining has been allocated in the interim condensed consolidated statement of income to cost of revenue.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITIED) (CONTINUED)
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10 PROPERTY AND EQUIPMENT

	Lands SR	*Buildings SR*	*Building's improvements SR*	*Furniture SR*	*Motor vehicles SR*	*Machinery and equipment SR*	*Elevators and central air conditioning SR*	*Total SR*
Cost:								
At the beginning of the period	**744,072,519**	**2,196,741,425**	**153,950,981**	**399,822,286**	**7,578,306**	**203,586,058**	**115,800,263**	**3,821,551,838**
Additions	**-**	**-**	**828,842**	**1,252,621**	**115,800**	**2,998,875**	**281,500**	**5,477,638**
Disposals	**-**	**-**	**-**	**(29,960)**	**(182,800)**	**-**	**-**	**(212,760)**
Transfer from projects under construction (Note 11)	**-**	**-**	**462,486**	**364,315**	**-**	**699,375**	**97,350**	**1,623,526**
At 30 June 2023	**744,072,519**	**2,196,741,425**	**155,242,309**	**401,409,262**	**7,511,306**	**207,284,308**	**116,179,113**	**3,828,440,242**
Accumulated depreciation								
At the beginning of the period	**-**	**618,745,012**	**105,060,089**	**276,937,473**	**6,814,254**	**97,082,891**	**43,071,184**	**1,147,710,903**
Charge for the period	**-**	**20,801,097**	**5,872,442**	**11,624,169**	**114,791**	**9,467,814**	**1,661,814**	**49,542,127**
Disposals	**-**	**-**	**-**	**(3,735)**	**(182,798)**	**-**	**-**	**(186,533)**
As 30 June 2023	**-**	**639,546,109**	**110,932,531**	**288,557,907**	**6,746,247**	**106,550,705**	**44,732,998**	**1,197,066,497**
Net Book Value:								
As at 30 June 2023	**744,072,519**	**1,557,195,316**	**44,309,778**	**112,851,355**	**765,059**	**100,733,603**	**71,446,115**	**2,631,373,745**

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10 PROPERTY AND EQUIPMENT (CONTINUED)

	Lands SR	*Buildings SR*	*Building's improvements SR*	*Furniture SR*	*Motor vehicles SR*	*Machinery and equipment SR*	*Elevators and central air conditioning SR*	*Total SR*
Cost:								
At the beginning of the year	744,072,519	2,173,942,670	142,337,318	403,458,073	7,783,678	187,653,667	114,813,941	3,774,061,866
Additions	-	2,521,000	6,187,184	4,000,301	244,724	9,293,013	228,070	22,474,292
Disposals	-	-	-	(14,352,616)	(450,096)	(957,561)	(377,743)	(16,138,016)
Transfer from projects under construction (note 11)	-	20,277,755	5,426,479	8,195,138	-	7,596,939	1,135,995	42,632,306
Adjustments (a)	-	-	-	(1,478,610)	-	-	-	(1,478,610)
As 31 December 2022	744,072,519	2,196,741,425	153,950,981	399,822,286	7,578,306	203,586,058	115,800,263	3,821,551,838
Accumulated depreciation								
At the beginning of the year	-	576,651,826	93,874,820	265,993,909	7,036,576	79,037,544	39,977,017	1,062,571,692
Charge for the year	-	42,093,186	11,185,269	24,803,330	227,774	18,920,720	3,462,697	100,692,976
Disposals	-	-	-	(13,859,766)	(450,096)	(875,373)	(368,530)	(15,553,765)
As 31 December 2022	-	618,745,012	105,060,089	276,937,473	6,814,254	97,082,891	43,071,184	1,147,710,903
Net Book Value:								
As at 31 December 2022	744,072,519	1,577,996,413	48,890,892	122,884,813	764,052	106,503,167	72,729,079	2,673,840,935

(a) During the year ended 31 December 2022, the Group re-estimated cost of certain items of the projects by SR 1.5 million.

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30 June 2023

11 PROJECTS UNDER CONSTRUCTION

Movement in projects under construction is as follows:

	For the six months period ended 30 June 2023 SR	*For the year ended 31 December 2022 SR*
At the beginning of the period/year	**175,213,850**	95,507,055
Additions during the period / year	**106,607,991**	149,771,785
Transfers to property and equipment (note 10)	**(1,623,526)**	(42,632,306)
Impairment of projects under construction	**-**	(27,432,684)
At the end of the period/year	**280,198,315**	175,213,850

(a) The projects under construction mainly represent the cost of constructing new hotels and renovating existing hotels in addition to other projects. This item includes contractors' costs, project management expenses, design expenses, advances to contractors, borrowing cost and other miscellaneous expenses.

(b) The Group reviews the progress of these projects periodically. During the six months period ended 30 June 2023, the Group did not notice any indicators of impairment for the ongoing projects.

(c) Transfers into property and equipment during 2023 amounting SR 1.6 million mainly represent the cost of renovation in Hospitality segment in Riyadh City. Transfers during 2022 amounting SR 42.6 million mainly represent the cost of construction of new apartments in Tabuk Region and cost of renovation of properties in Hospitality and Property Rental segments in Riyadh City.

12 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2023 SR	*31 December 2022 SR*
Contract liabilities	**74,473,179**	62,434,029
Accrued staff benefits	**21,009,579**	23,878,761
Retentions payable	**20,444,377**	15,719,558
Payable to contractors	**14,882,514**	16,328,089
Accrued financial charges	**16,856,586**	11,093,725
Accrued management and franchising fee	**3,157,416**	4,791,691
Accrued utilities and other services	**4,700,041**	3,600,233
Accrued professional fees and other services	**2,269,284**	2,530,180
Others (*)	**11,146,044**	12,121,780
	168,939,020	152,498,046

(*) This includes accruals for VAT, municipality charges, tobacco tax and other accruals.

13 TERM LOANS

The Group has secured term loans from number of local banks in the form of Murabaha financing with a total carrying value of SR 1,103 million as at 30 June 2023 (31 December 2022: SR 1,063 million) which accrue Murabaha commission at SIBOR plus agreed margin, which are equivalent to the market interest rates. These financing are secured by promissory notes and assignment of proceeds from certain projects’ rentals.

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13 TERM LOANS (CONTINUED)

Loan agreements include covenants mainly related to maintaining certain leverage ratios, total debt to equity and other covenants. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Group was compliant with the loan covenants as at 30 June 2023 and 31 December 2022.

	30 June 2023 SR	*31 December 2022 SR*
Term loans	**1,102,907,251**	1,062,668,575
Bank overdraft	**37,125,020**	37,125,020
	1,140,032,271	1,099,793,595

Bank overdraft represents balance in a US dollar bank account resulting from the settlement of the derivative financial instruments.

Classification of the borrowings is as follows:

	30 June 2023 SR	*31 December 2022 SR*
Term loans - current portion	**184,771,768**	133,882,321
Bank overdraft	**37,125,020**	37,125,020
Term loans - current portion	**221,896,788**	171,007,341
Term loans - non- current portion	**918,135,483**	928,786,254
Total borrowings	**1,140,032,271**	1,099,793,595

14 LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities recognised and the movements during the period/year

	For the six months period ended 30 June 2023 SR	*For the year ended 31 December 2022 SR*
At the beginning of the period/year	**330,680,112**	345,652,935
Interest	**7,457,534**	15,006,421
Payments	**(1,779,140)**	(16,009,379)
Lease adjustment	**-**	(13,718,830)
COVID-19 related rent concession	**-**	(251,035)
At the end of the period/year	**336,358,506**	330,680,112
The present value of the net lease payments is as follows:		
Current portion	**43,698,288**	34,472,722
Non-Current portion	**292,660,218**	296,207,390

The following are the amounts recognised in interim condensed consolidated statement of income:

	For the six months period ended	
	30 June2023 SR	*30 June 2022 SR*
Depreciation expense of right-of-use assets	**6,857,662**	6,756,775
Financial charges on lease liabilities	**7,220,399**	6,979,074
Total amount recognised in interim condensed consolidated statement of income	**14,078,061**	13,735,849

Dur Hospitality Company
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) (CONTINUED)
30 June 2023

15 ZAKAT

The Company and its subsidiaries file their Zakat returns individually based on their financial statements. Therefore, Zakat base is identified and calculated for the Company and its subsidiaries individually, and total estimated Zakat is presented in the interim condensed consolidated statement of comprehensive income for the Group.

Movement in provision for Zakat is as follows:

	For the six months period ended 30 June2023	*For the year ended 31 December 2022*
	SR	*SR*
At the beginning of the period/year	**11,205,828**	13,662,198
Provided during the period/year	**3,248,000**	4,575,343
Payments made during the period/year	**(7,762,049)**	(7,031,713)
At the end of the period/year	**6,691,779**	11,205,828

Zakat status
The Company and its subsidiaries have filed their Zakat returns with Zakat, Tax and Customs Authority ("ZATCA") for all years up to 2022.

The Company received its zakat assessments from ZATCA up to 31 December 2014 G and for the years 2016, 2017, 2018 and 2020.

ZATCA issued zakat assessments for the year from 2015 to 2018. The Company submitted its objections on those assessments. Those objections were accepted by ZATCA, except for an amount of SR 0.86 million. The Company submitted its appeal to the General Secretariat of the Committees ("GSTC"). GSTC accepted the Company's objections for amount of SR 0.62 million and rejected an amount of SR 0.25 million. In May 2022, ZATCA appealed to Appeal Committee for Tax Violations and Disputes Resolution ("ACTVDR") against GSTC decision. The Company has submitted its response to ACTVDR within the timeline required and the outcome has not been finalized yet.

ZATCA issued zakat assessment for the year 2019, which resulted in zakat differences of SR 3.03 million. The Company has paid all the unobjectionable amounts aggregating SR 1.2 million and raised objections to the rest of the items in dispute. This resulted in the issuance of an amended assessment by ZATCA with additional amount of SR 1.04 million. The Company filed an objection with the GSTC to consider the items under objection. The Committee for Resolution of Tax Violations and Disputes "CRTVD" issued its decision and rejected the Company's objection. The Company has appealed to the Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" within the timeline required and the outcome has not been finalized yet.

ZATCA has not finalized yet the zakat assessment for the year ended 31 December 2021 and 2022.

ZATCA issued zakat assessments for the subsidiaries for all the years up to 2018.

16 SHARE CAPITAL
The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each (31 December 2022: 100 million shares of SR 10 each).

17 DIVIDENDS PAYABLE

As at 30 June 2023, current liabilities include the balance of dividends payable amounting to SR 43.7 million (31 December 2022: SR 43.7 million), which represents amounts due to shareholders for dividends in previous years that were not claimed by them as at the date of the interim condensed consolidated statement of financial position.

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITIED) (CONTINUED)
30 June 2023

18 REVENUE FROM CONTRACTS WITH CUSTOMERS

Following is the disaggregation of the Group's revenue from contracts with customers:

	For the six months period ended 30 June 2023				*For the six months period ended 30 June 2022*			
	Hospitality SR	*Rental SR*	*Property Management SR*	*Total SR*	*Hospitality SR*	*Rental SR*	*Property Management SR*	*Total SR*
Type of goods or service								
Hospitality services – rooms	**200,295,464**	**-**	**-**	**200,295,464**	141,599,747	-	-	141,599,747
Sales of goods - food and beverage	**60,681,967**	**-**	**-**	**60,681,967**	54,905,004	-	-	54,905,004
Other hospitality revenues	**16,023,913**	**-**	**-**	**16,023,913**	9,310,645	-	-	9,310,645
Rental income	**-**	**66,147,895**	**-**	**66,147,895**	-	63,283,082	-	63,283,082
Management fee	**-**	**-**	**2,810,722**	**2,810,722**	-	-	1,345,121	1,345,121
Total revenue from contracts with customers	**277,001,344**	**66,147,895**	**2,810,722**	**345,959,961**	205,815,396	63,283,082	1,345,121	270,443,599
Timing of revenue recognition								
Over time	**216,319,377**	**66,147,895**	**2,810,722**	**285,277,994**	150,910,392	63,283,082	1,345,121	215,538,595
At a point in time	**60,681,967**	**-**	**-**	**60,681,967**	54,905,004	-	-	54,905,004
Total revenue from contracts with customers	**277,001,344**	**66,147,895**	**2,810,722**	**345,959,961**	205,815,396	63,283,082	1,345,121	270,443,599

	For the three months period ended 30 June 2023				*For the three months period ended 30 June 2022*			
	Hospitality SR	*Rental SR*	*Property Management SR*	*Total SR*	*Hospitality SR*	*Rental SR*	*Property Management SR*	*Total SR*
Type of goods or service								
Hospitality services – rooms	**99,146,533**	**-**	**-**	**99,146,533**	62,361,881	-	-	62,361,881
Sales of goods - food and beverage	**29,370,337**	**-**	**-**	**29,370,337**	25,628,222	-	-	25,628,222
Other hospitality revenues	**13,761,764**	**-**	**-**	**13,761,764**	3,970,507	-	-	3,970,507
Rental income	**-**	**33,621,392**	**-**	**33,621,392**	-	31,912,449	-	31,912,449
Management fee	**-**	**-**	**1,909,686**	**1,909,686**	-	-	907,115	907,115
Total revenue from contracts with customers	**142,278,634**	**33,621,392**	**1,909,686**	**177,809,712**	91,960,610	31,912,449	907,115	124,780,174
Timing of revenue recognition								
Over time	**112,908,297**	**33,621,392**	**1,909,686**	**148,439,375**	66,332,388	31,912,449	907,115	99,151,952
At a point in time	**29,370,337**	**-**	**-**	**29,370,337**	25,628,222	-	-	25,628,222
Total revenue from contracts with customers	**142,278,634**	**33,621,392**	**1,909,686**	**177,809,712**	91,960,610	31,912,449	907,115	124,780,174

Dur Hospitality Company
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) (CONTINUED)
30 June 2023

19 COST OF REVENUES

	For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	2023	*2022*	***2023***	*2022*
	SR	*SR*	***SR***	*SR*
Salaries and other employee benefits	**48,823,635**	44,532,930	**95,597,180**	88,541,831
Depreciation of property and equipment and right of use assets	**27,943,422**	28,238,389	**55,710,898**	57,054,696
Operating supplies	**28,245,219**	6,570,083	**39,230,717**	16,217,825
Food and beverage	**8,704,149**	7,087,313	**18,219,253**	16,438,799
Utilities	**7,168,503**	6,286,177	**13,146,892**	12,249,899
Advertising and promotion activities	**5,467,061**	4,066,126	**9,788,407**	8,079,081
Service and operation fees	**2,984,644**	2,086,945	**7,486,096**	4,848,894
Commission for travelling agency and credit cards	**3,137,864**	1,113,244	**6,322,779**	3,221,868
Repair and maintenance	**3,197,164**	3,906,171	**6,062,009**	6,688,640
Security and guarding	**78,343**	130,262	**161,856**	294,862
Others	**907,030**	1,403,785	**1,643,481**	2,243,580
	136,657,034	105,421,425	**253,369,568**	215,879,975

20 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	2023	*2022*	***2023***	*2022*
	SR	*SR*	***SR***	*SR*
Salaries and other employee benefits	**6,516,855**	6,022,599	**12,788,173**	11,424,071
Expected credit loss, net (note 6)	**2,072,885**	241,298	**4,243,771**	2,888,282
Professional fee	**771,361**	554,917	**1,265,666**	1,111,949
Board of Director remuneration	**1,265,000**	1,230,870	**2,245,000**	2,118,370
Subscription	**493,460**	553,075	**1,259,282**	1,282,874
Depreciation of property and equipment	**348,161**	344,190	**688,891**	686,580
Hospitalities	**123,996**	122,526	**271,170**	556,892
Others	**905,719**	409,975	**1,175,714**	906,707
	12,497,437	9,479,450	**23,937,667**	20,975,725

21 OTHER (EXPENSES) / INCOME, NET

	For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	2023	*2022*	***2023***	*2022*
	SR	*SR*	***SR***	*SR*
Consultancy expenses (a)	**(366,879)**	-	**(1,790,751)**	-
Accruals no longer required	-	-	-	2,220,155
COVID-19 related rent concession	-	251,035	-	251,035
Others, net	**393,468**	384,187	**409,118**	489,787
	26,589	635,222	**(1,381,633)**	2,960,977

(a) The Group incurred certain expenses of due diligence and other professional services as a result of proposed merger activities.

Dur Hospitality Company
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITIED) (CONTINUED)
30 June 2023

22 COMMITMENTS AND CONTINGENCIES

Capital commitments

a) The Group has entered into capital commitments of SR 183.9 million (31 December 2022: SR 286.9 million) related to its capital work in progress.

b) The Group has capital commitment in relation to equity accounted investees' projects under construction of SR 43 million (31 December 2022: SR 49 million).

Contingencies

a) As at 30 June 2023, the Group had issued letters of guarantee amounting to SR 28.7 million (31 December 2022: SR 29.03 million). These guarantees are without cash margin.

b) For Zakat related matters, refer to note 15.

c) During 2018 the Group entered into two Interest Rate Swap derivative agreements ("the agreements") with a local financial institution. During 2020, the Group disputed the validity of these agreements and filed a lawsuit ("the Lawsuit") against the financial institution before the Committee for Resolution of Securities Disputes ("the CRSD"). The financial institution has also filed a lawsuit against the group claiming for the amounts from those agreements. On 14 February 2022, the CRSD issued its final decision for lack of jurisdiction of an authority and clarified that this lawsuit is subject to the Committee of Banking and Financial Disputes and Violations ("CBFDV"). On 10 March 2022, the Group filed a new lawsuit before the Committee of Banking and Financial Disputes and Violations to revoke the agreements. There is no progress on the outcome of the lawsuit as of 30 June 2023. The Group is still pursuing the legal case, regardless of recognizing the derivatives as per the requirements of IFRS, and the potential outcome of the claim cannot be reasonably estimated at this stage.

23 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	30 June 2023 SR	*30 June 2022 SR*
Income for the year attributable to the equity holders of the parent	**24,025,654**	36,969,498
Weighted average number of outstanding shares	**100,000,000**	100,000,000
Basic and diluted earnings per share	**0.24**	0.37

24 INTERIM RESULTS

The operations and revenues of the Group are affected by the seasonal changes during the year and for certain periods. Therefore, the results of operations for the six months period ended 30 June 2023 may not necessarily be indicative of the annual results of the Group.

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of cash and bank balances, short term deposits, investments, trade receivables and due from related parties. Its financial liabilities consist of term loans, trade payables, due to related parties and derivatives.

Dur Hospitality Company
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITIED) (CONTINUED)
30 June 2023

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

The management assessed that fair value of cash and bank balances, short term deposits, trade receivables, amounts due from related parties, trade payables and amounts due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments. As for term loans, the fair value does not materially differ from the book value included in the interim condensed consolidated financial statements as the current interest rates prevailing in the market for similar financial instruments do not significantly differ from the contracted prices.

The investment at FVOCI is classified within Level 3 of the fair value levels and measured by management at fair value using the two income methods (discounted cash flows) and market (Price-to-earnings Ratio) methods.

For derivative financial instruments, the fair value is calculated using valuation techniques include swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

Financial Assets

	30 June 2023 SR	*31 December 2022 SR*
Financial assets carried at fair value		
Investment at FVOCI	**2,520,084**	2,520,084
Derivative financial instrument	**109,916**	109,916
Total financial assets carried at fair value	**2,630,000**	2,630,000
Financial assets carried at amortised cost		
Cash and cash equivalents	**101,493,156**	85,347,614
Trade receivables	**150,088,525**	133,821,186
Due from related parties	**6,270,951**	4,442,099
Total financial assets carried at amortised cost	**257,852,632**	223,610,899
Total financial assets	**260,482,632**	226,240,899
Total current financial assets	**257,852,632**	223,610,899
Total non-current financial assets	**2,630,000**	2,630,000
	260,482,632	226,240,899

Financial liabilities

	30 June 2023 SR	*31 December 2022 SR*
Financial liabilities carried at amortised cost		
Trade payables	**34,866,192**	24,798,564
Term loans	**1,140,032,271**	1,099,793,595
Due to related parties	**34,841,084**	35,246,712
Total financial liabilities carried at amortised cost	**1,209,739,547**	1,159,838,871
Total current financial liabilities	**291,604,064**	231,052,617
Total non-current financial liabilities	**918,135,483**	928,786,254
	1,209,739,547	1,159,838,871

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED) (CONTINUED)
30 June 2023

26 COMPARATIVE PERIOD ADUSTMENTS

During the three months period ended 31 December 2022, the Group retrospectively processed the accounting of financial derivatives relating to the prior periods. Those adjustments are related to the interest rate swaps, which were not previously recorded by management in the periods prior to 31 December 2022.

The effect of those adjustment on the interim condensed consolidated financial statements for the six-months period ended 30 June 2022 has been summarized below:

(a) Impact on interim condensed consolidated statement of profit or loss

	30 June 2022 SR
Net gain on derivative instruments at fair value through profit or loss	28,748,981
Net impact on profit for the period	28,748,981
Attributable to:	
Equity holders of the Parent	28,748,981
Non-controlling interests	-

(b) Impact on basic and diluted earnings per share (EPS)

Basic and diluted earnings per share for the period attributable to equity holders of the Parent	0.29

(c) Impact on the statement of cashflows:

	30 June 2022
Net cash used in operating activities	(9,698,730)

Certain other comparative numbers have been reclassified to conform with the current period presentation.

27 SIGNIFICANT EVENTS

The Company's board of directors, on 23 Juma'ada I 1444H (corresponding to 17 December 2022), signed a non-binding Memorandum of Understanding ("MOU") with Taiba Investments Company ("Taiba"), a Saudi Joint Stock Company, for potential acquisition ("Proposed Transaction") of the Company by Taiba.

Pursuant to the MOU, the Proposed Transaction was to be implemented through share exchange offer made by Taiba (in its capacity as the offeror) to Company's shareholders (in their capacity as the offerees) for the purposes of acquiring all of the Company's issued shares. The consideration payable by Taiba to Company's shareholders will be the issuance of new shares in Taiba in accordance with the Merger and Acquisition Regulations issued by the board of the Capital Market Authority ("CMA") and other relevant rules and regulations, which would result in the delisting of Dur Hospitality Company, and it would be a wholly owned subsidiary of Taiba.

On 17/9/1444H (corresponding to 8/4/2023G), the Company entered into a legally binding implementation agreement with Taiba Company (the "Implementation Agreement"), pursuant to which both companies agreed that Taiba Company shall make an offer to acquire all shares in Dur in consideration for newly issued shares in Taiba Company to the shareholders of Dur Company pursuant to Article (26) of the Merger and Acquisition Regulations and the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority, and in accordance with a number of the terms and conditions of the Implementation Agreement.

Dur Hospitality Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITIED) (CONTINUED)
30 June 2023

28 SUBSEQUENT EVENTS

There are no subsequent events that have occurred up to and including the date of the approval of the interim condensed consolidated financial statements which could materially affect the interim condensed consolidated financial statements and the related disclosures for the period ended 30 June 2023.

29 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

These interim condensed consolidated financial statements were approved on 20 Muharram 1445H (corresponding to 7 August 2023).

Appendix (4): Taiba's unaudited pro forma condensed consolidated financial information

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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Independent Practitioners' Assurance Report on the Compilation of the Unaudited Pro Forma Condensed Consolidated Financial Information included in a Shareholders' Circular

To The Shareholders of Taiba Investments Company
(A Saudi Joint Stock Company)

We have completed our assurance engagement to report on the compilation of unaudited pro forma condensed consolidated financial information (the "Unaudited Pro Forma Financial Information") of Taiba Investments Company ("Taiba" or the "Company") by Taiba's Board of Directors. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma condensed consolidated statement of financial position as at 31 December 2022, the unaudited pro forma condensed consolidated statement of income for the year ended 31 December 2022, and related notes as included in Appendix 4 of the Shareholders' Circular issued by the Company. The applicable criteria on the basis of which Taiba's Board of Directors has compiled the Unaudited Pro Forma Financial Information are described in note A – "Basis of preparation" to the Unaudited Pro Forma Financial Information (the "applicable criteria").

The Unaudited Pro Forma Financial Information has been compiled by Taiba's Board of Directors to illustrate the impact of the proposed acquisition of all shares of Dur Hospitality Company ("Dur") by Taiba (the "Acquisition"), in accordance with the implementation agreement dated 17 Ramadhan 1444H (corresponding to 8 April 2023), on Taiba's financial position as at 31 December 2022 as if the Acquisition had taken place on that date and on its financial performance for the year ended 31 December 2022 as if the Acquisition had taken place on 1 January 2022. As part of this process, information about Taiba's and Dur's financial position and their financial performance has been extracted by Taiba's Board of Directors from Taiba's and Dur's consolidated financial statements as at and for the year ended 31 December 2022, on each of which an audit opinion have been published.

The Board of Directors' Responsibility for the Unaudited Pro Forma Financial Information
Taiba's Board of Directors is responsible for compiling the Unaudited Pro Forma Financial Information on the basis of the applicable criteria described in note A to the Unaudited Pro Forma Financial Information and in accordance with Appendix 18 of the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority of the Kingdom of Saudi Arabia.

Independence and Quality Control
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, as endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We have applied International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" as endorsed in the Kingdom of Saudi Arabia and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Practitioners' Assurance Report on the Compilation of the Unaudited Pro Forma Condensed Consolidated Financial Information included in a Shareholders' Circular (continued)

Practitioner's Responsibilities
Our responsibility is to express an opinion about whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, by Taiba's Board of Directors on the basis of the applicable criteria described in note A to the Unaudited Pro Forma Financial Information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether Taiba's Board of Directors has compiled, in all material respects, the Unaudited Pro Forma Financial Information on the basis of the applicable criteria described in note A to the Unaudited Pro Forma Financial Information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information of Taiba or Dur, used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a shareholders' circular is solely to illustrate the impact of a significant event or transaction on unadjusted consolidated financial information of Taiba as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at an earlier date would have been as presented in the Unaudited Pro Forma Financial Information.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by Taiba's Board of Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Building a better working world

Independent Practitioners' Assurance Report on the Compilation of the Unaudited Pro Forma Condensed Consolidated Financial Information included in a Shareholders' Circular (continued)

Opinion
In our opinion, the Unaudited Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria described in note A to the Unaudited Pro Forma Financial Information.

Restriction on Use
Our report is provided for inclusion in the Shareholders' Circular and therefore, should not be used for any other purpose.

Ernst & Young for Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

Jeddah: 18 Ramadhan 1444H
9 April 2023G

TAIBA INVESTMENTS COMPANY
(A Saudi Joint Stock Company)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Taiba Investment Company
(A Saudi Joint Stock Company)

Introduction

The accompanying unaudited pro forma condensed consolidated financial information and related notes (the ''**Unaudited Pro Forma Financial Information**'') have been prepared pursuant to, and for the purpose of illustrating the anticipated effects, of the implementation agreement executed between Taiba Investments Company ("**Taiba**") and Dur Hospitality Company ("**Dur**") dated 17/9/1444H (corresponding to 8 April 2023G) (the "**Implementation Agreement**"), on the consolidated financial position and consolidated financial performance of Taiba. Pursuant to the Implementation Agreement, Taiba will make an offer to acquire all outstanding shares of Dur against the agreed consideration (note A) (the "**Acquisition**"). Upon completion of the Acquisition, all of Dur's shares will be delisted from the Saudi Stock Exchange ("**Tadawul**") and Dur will become a wholly-owned subsidiary of Taiba. The completion of the Acquisition is subject to the occurrence or waiving of certain conditions precedent.

The Unaudited Pro Forma Financial Information consists of the unaudited pro forma condensed consolidated statement of financial position as at 31 December 2022 of Taiba as if the Acquisition had taken place on that date and the unaudited pro forma condensed consolidated statement of income for the year ended 31 December 2022 of Taiba giving effect to the Acquisition, as if the Acquisition had taken place on 1 January 2022 and the notes to the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information is to show the material effects that the Acquisition would have had on the historical consolidated statement of financial position and historical consolidated statement of income of Taiba as if Taiba and Dur had already existed in the structure created by the Acquisition as of the above mentioned dates.

The Unaudited Pro Forma Financial Information has been prepared in accordance with the applicable requirements of Annex 18 of the Rules on the Offer and Securities and Continuing Obligations issued by the Board of Capital Market Authority of the Kingdom of Saudi Arabia. The Unaudited Pro Forma Financial Information has been prepared by, and is the responsibility of, Taiba's Board of Directors. The preparation and presentation of the Unaudited Pro Forma Financial Information is based on certain pro forma assumptions (detailed in the Basis of preparation note below) and has been prepared for illustrative purposes only. Moreover, because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and therefore, does not represent Taiba's actual financial position and financial performance, and may not give a true picture of the financial position and financial performance of Taiba upon completion of the Acquisition. In addition, the Unaudited Pro Forma Financial Information is neither representative of the financial situation and performance that could have been observed if the indicated Acquisition had been undertaken at an earlier date nor is the Unaudited Pro Forma Financial Information indicative of the future operating results or financial position of Taiba upon completion of the Acquisition.

Taiba Investment Company
(A Saudi Joint Stock Company)
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL POSITION
As at 31 December 2022
(Saudi Riyal)

	Note B	Taiba	Dur	Pro forma adjustments	Consolidated pro forma
ASSETS					
Non-current Assets					
Property and equipment	1	2,532,907,422	2,849,054,785	-	5,381,962,207
Intangible assets		2,020,348	-	-	2,020,348
Goodwill arising on acquisition	3	-	-	1,351,019,687	1,351,019,687
Investment properties	1	464,241,768	-	-	464,241,768
Right of use assets		-	201,999,960	-	201,999,960
Financial assets at FVOCI	1	452,241,840	2,520,084	-	454,761,924
Investment in associates	1	337,656,977	33,066,318	-	370,723,295
Derivative financial instruments		15,346,675	-	-	15,346,675
Other non-current assets		5,706,810	-	-	5,706,810
Total Non - Current Assets		**3,810,121,840**	**3,086,641,147**	**1,351,019,687**	**8,247,782,674**
Current Assets					
Inventory		713,653	21,774,628	-	22,488,281
Trade receivables		11,334,445	140,709,183	-	152,043,628
Prepayments and other current assets		100,773,278	89,176,047	-	189,949,325
Financial assets at FVOCI		177,809,755	-	-	177,809,755
Derivative financial instruments		-	109,916	-	109,916
Cash and cash equivalents		187,631,365	79,705,336	-	267,336,701
Total Current Assets		**478,262,496**	**331,475,110**	**-**	**809,737,606**
Assets classified as held for sale		58,382,144			58,382,144
TOTAL ASSETS		**4,346,766,480**	**3,418,116,257**	**1,351,019,687**	**9,115,902,424**
EQUITY AND LIABILITIES					
Equity					
Share Capital	3	1,604,574,830	1,000,000,000	-	2,604,574,830
Share Premium	3	-	-	1,950,000,000	1,950,000,000
Statutory reserve	3;4	1,000,000,000	500,000,000	(500,000,000)	1,000,000,000
General reserve	3;4	208,791,276	-	-	208,791,276
Other reserves	4	27,558,030	(4,479,916)	4,479,916	27,558,030
Retained earning	3;4	790,174,815	103,460,229	(103,460,229)	790,174,815
Equity Attributable to the Equity Holders of the Parent		**3,631,098,951**	**1,598,980,313**	**1,351,019,687**	**6,581,098,951**
Non-controlling interest	4	25,529,293	59,327,735	-	84,857,028
Total Equity		**3,656,628,244**	**1,658,308,048**	**1,351,019,687**	**6,665,955,979**
Non-Current Liabilities					
Employees' defined benefits liabilities		12,932,698	60,679,823	-	73,612,521
Non-current portion of lease liabilities		-	296,207,390	-	296,207,390
Long term loans - non-current portion		275,258,947	928,786,254	-	1,204,045,201
Total Non-Current Liabilities		**288,191,645**	**1,285,673,467**	**-**	**1,573,865,112**
Current Liabilities					
Current portion of lease liabilities		-	34,472,722	-	34,472,722
Current portion of long-term loans		15,827,573	171,007,341	-	186,834,914
Short-term loan		71,665,290	-	-	71,665,290
Trade and other payables	1	182,951,577	178,266,866	-	361,218,443
Dividends payable		114,722,804	43,659,810	-	158,382,614
Amounts due to related parties		3,853,912	35,522,175	-	39,376,087
Zakat payable		11,163,964	11,205,828	-	22,369,792
Total Current Liabilities		**400,185,120**	**474,134,742**	**-**	**874,319,862**
Liabilities associated with assets classified as held for sale		1,761,471	-	-	1,761,471
TOTAL LIABILITIES		**690,138,236**	**1,759,808,209**	**-**	**2,449,946,445**
TOTAL EQUITY AND LIABILITIES		**4,346,766,480**	**3,418,116,257**	**1,351,019,687**	**9,115,902,424**

Taiba Investment Company
(A Saudi Joint Stock Company)
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2022
(Saudi Riyal)

	Note B	Taiba	Dur	Pro forma adjustments	Consolidated pro forma
Revenues	2	330,283,906	568,395,086	-	898,678,992
Costs of Revenues		(141,300,217)	(433,448,952)	-	(574,749,169)
GROSS PROFIT		**188,983,689**	**134,946,134**	**-**	**323,929,823**
Selling and marketing expenses		(191,000)	(3,096,931)	-	(3,287,931)
General and administrative expenses	2	(55,566,201)	(42,465,431)	4,817,360	(93,214,272)
Other operating expenses		(8,859,067)	-	-	(8,859,067)
Impairment of projects under construction		-	(27,432,684)	-	(27,432,684)
Reversal (provision) of impairment on trade receivables	2	8,827,067	-	(4,817,360)	4,009,707
OPERATING PROFIT		**133,194,488**	**61,951,088**	**-**	**195,145,576**
Dividends of Financial assets at FVOCI		10,482,948	-	-	10,482,948
Group's share of results of associates	2	(578,012)	2,374,225	-	1,796,213
Finance costs	2	(1,402,974)	(55,463,063)	-	(56,866,037)
Net gain on derivative instruments at fair value through profit or loss		-	32,642,864	-	32,642,864
Other (expenses) and income - net	2	16,082,946	3,220,989	-	19,303,935
Net Income before Zakat from continued operations		**157,779,396**	**44,726,103**	**-**	**202,505,499**
Zakat Expense		(6,252,142)	(4,575,343)	-	(10,827,485)
Net Income for the year from continued operations		**151,527,254**	**40,150,760**	**-**	**191,678,014**
DISCONTINUED OPERATIONS					
Loss after zakat from discontinued operations		(21,817,668)	-	-	(21,817,668)
Net Income for the year		**129,709,586**	**40,150,760**	**-**	**169,860,346**
Net Income for the year attributable to:					
Shareholders of the Parent Company		139,570,012	40,165,884	-	179,735,896
Non-controlling interest		(9,860,426)	(15,124)	-	(9,875,550)
		129,709,586	**40,150,760**	**-**	**169,860,346**

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Taiba Investment Company
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

A Basis of preparation

The accompanying Unaudited Pro Forma Financial Information of Taiba has been presented for the purpose as set out in the Introduction section above and has been prepared based on, and in accordance with the basis of preparation as set out in this note A.

1. The historical financial information of Taiba and Dur were extracted from the following:
   - The audited consolidated financial statements of Taiba for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization of Chartered and Professional Accountants ("**Taiba FY22 Financial Statements**"); and
   - The audited consolidated financial statements of Dur for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization of Chartered and Professional Accountants ("**Dur FY22 Financial Statements**").

   The financial information of Taiba and Dur as of and for the year ended 31 December 2022 included in this Unaudited Pro Forma Financial Information has been derived from Taiba FY22 Financial Statements and Dur FY22 Financial Statements, respectively.

2. The accounting policies applied for the preparation of this Unaudited Pro Forma Financial Information are consistent with those disclosed in Taiba FY22 Financial Statements. The accounting policies of Dur are materially consistent with the accounting policies of Taiba, unless otherwise stated.

   Taiba entered into Murabaha price swap agreement during the year ended 31 December 2022 which meets the hedge accounting criteria and is classified as a cashflow hedge. Taiba initially recognises such derivative financial instruments at fair value on the date on which the derivative contract is entered into and subsequently re-measures for any changes in their fair value. Taiba records derivatives as financial assets when the fair value is positive and as a financial liability when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

   Dur entered in interest rate swap agreements in 2018 which do not meet the hedge accounting criteria. Dur recognised those agreements at fair value through profit and loss financial derivatives. For the purpose of this Unaudited Pro Forma Financial Information, the accounting treatment and presentation adopted by Dur for these agreements has been applied. Dur's accounting policy for financial derivative instruments has been disclosed in Dur FY22 Financial Statements. Additionally, Dur has disputed the aforementioned agreements. For more details on the related legal procedures refer to Note 24 to Dur FY22 Financial Statements.

3. The Acquisition has been accounted for in the Unaudited Pro forma Financial Information in accordance with IFRS 3 "Business Combination", which requires an acquirer to be identified in a business combination to apply acquisition method of accounting principles. For the purpose of this Unaudited Pro Forma Financial Information, Taiba has been identified as the accounting acquirer. Taiba has applied the "acquisition method" of accounting for the Acquisition and is required to fair value the assets, liabilities and contingent liabilities acquired at the date of acquisition and to reflect the difference between their fair value and the purchase consideration as goodwill or bargain purchase gain on acquisition. The determination of purchase consideration and the fair value exercise (''purchase price allocation'' or "PPA") are not completed as at the date of this Unaudited Pro Forma Financial Information and accordingly the acquired assets and liabilities of Dur have been reflected in this Unaudited Pro forma Financial Information at their book values. The PPA exercise may result in materially different values being attributed to the assets, liabilities and contingent liabilities acquired than those that are shown in this Unaudited Pro Forma Financial Information which is prepared for illustrative purposes only.

Taiba Investment Company
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

4. There were no material inter-company transactions and balances between Taiba and Dur that should have been eliminated for the purposes of this Unaudited Pro Forma Financial Information in accordance with IFRS 10 "Consolidated Financial Statements".

5. The Unaudited Pro Forma Financial Information has been prepared in accordance with the applicable requirements of Annex 18 of the Rules on the Offer and Securities and Continuing Obligations issued by the Board of Capital Market Authority of the Kingdom of Saudi Arabia.

   The Unaudited Pro Forma Financial Information should be read in conjunction with the Taiba FY22 Financial Statements and Dur FY22 Financial Statements. Certain disclosures that may be required by International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") have not been included in this Unaudited Pro Forma Financial Information.

6. The Unaudited Pro Forma Financial Information does not take into consideration the effects of any expected synergies or costs incurred to achieve these synergies as a result of the Acquisition. The Unaudited Pro Forma Financial Information gives no indication of the results and future financial situation of the activities of Taiba upon completion of the Acquisition.

7. In accordance with the terms of the Implementation Agreement, the Acquisition will result in an increase in Taiba issued share capital by issuance of 100,000,000 consideration shares (the "**Consideration Shares**") of SAR 10 per share (par value) to the shareholders of Dur at the exchange ratio of 1.000 share in Taiba for each share in Dur in consideration of acquiring the outstanding issued shares of Dur.

   Based on the outstanding share capital of Dur as at the date of the Implementation Agreement, the completion of the Acquisition would result in increasing the total issued share capital of Taiba to SAR 2,604,574,830. Accordingly, following the issue of Consideration Shares, Dur shareholders would own approximately 38.4% of the total issued share capital of Taiba. Following the Acquisition, all of Dur's shares will be delisted from Saudi Stock Exchange ("Tadawul") and Dur will become a wholly-owned subsidiary of Taiba.

B Description of the pro forma adjustments

The pro forma adjustments incorporated in the Unaudited Pro Forma Financial Information are based on information available as well as certain pro forma assumptions as described in these notes to the Unaudited Pro Forma Financial Information. Moreover, the pro forma adjustments give effect to events that are directly attributable to the Acquisition, are factually supportable and are expected to have a continuing impact on the consolidated statement of financial position and consolidated statement of income of Taiba.

As previously mentioned, the Unaudited Pro Forma Financial Information contains neither any potential synergies or cost savings nor any normalisation adjustments or any additional future expenses that could result from the Acquisition. Furthermore, the Unaudited Pro Forma Financial Information does not contain any potential or future obligations resulting from any possible remedies/regulatory requirements imposed on Taiba upon completion of the Acquisition by regulatory authorities, such as the transfer of a portion of income to statutory reserve, in connection with the Acquisition. In addition, the Unaudited Pro Forma Financial Information has not been adjusted for the Acquisition related costs.

The pro forma adjustments included in the Unaudited Pro Forma Financial Information are as follows:

Taiba Investment Company
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

B Description of the pro forma adjustments (continued)

1. To ensure consistency of presentation between the condensed consolidated statement of financial position of Taiba and Dur as of 31 December 2022 as presented in the Unaudited Pro Forma Financial Information, the following adjustments have been made:

- An amount of SAR 175,213,850 as of 31 December 2022 of Dur's "Projects under construction" has been presented under "Property and equipment".
- An amount of SAR 2,520,084 as of 31 December 2022 of Dur's "Investments at fair value through OCI" has been presented under "Financial assets at FVOCI".
- An amount of SAR 33,066,318 as of 31 December 2022 of Dur's "Investments in equity accounted investees" has been presented under "Investment in associates".
- An amount of SAR 19,156,286 as of 31 December 2022 of Dur's "Trade payables" has been presented under "Trade accounts and other payables".
- An amount of SAR 159,110,580 as of 31 December 2022 of Dur's "Accrued and other current liabilities" has been presented under "Trade accounts and other payables".

2. To ensure consistency of presentation between the condensed consolidated statement of income of Taiba and Dur for the year ended 31 December 2022 as presented in the Unaudited Pro Forma Financial Information, the following adjustments have been made:

- An amount of SAR 436,539,383 for the year ended 31 December 2022 of Dur's "Hospitality income" has been presented under "Revenues".
- An amount of SAR 128,829,786 for the year ended 31 December 2022 of Dur's "Rental income" has been presented under "Revenues".
- An amount of SAR 3,025,917 for the year ended 31 December 2022 of Dur's "Management Fees" has been presented under "Revenues".
- An amount of (SAR 4,817,360) for the year ended 31 December 2022 of Dur's "Expected credit reversal (loss)", as included under General and administrative expenses, has been presented under "reversal (provision) of impairment on trade receivables"
- An amount of SAR 2,374,225 for the year ended 31 December 2022 of Dur's "Share of net results of investments in equity accounted investees" has been presented under "Group's share of results of associates".
- An amount of SAR 41,297,157 for the year ended 31 December 2022 of Dur's "Financial charges of term loans" has been presented under "Finance costs".
- An amount of SAR 14,165,906 for the year ended 31 December 2022 of Dur's "Financial charges of lease liabilities" has been presented under "Finance costs".
- An amount of SAR 146,760 for the year ended 31 December 2022 of Dur's "Finance income" has been presented under "Other (expenses) and income - net".

Taiba Investment Company
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

B Description of the pro forma adjustments (continued)

3. The following adjustments have been made to the Unaudited Pro Forma Financial Information to record the issuance of the Consideration Shares by Taiba to Dur's shareholders. For the Unaudited Pro Forma Financial Information purposes, the consideration for the Acquisition has been calculated on the basis of a share exchange at the rate of 1.000 share in Taiba for each share in Dur. As explained earlier, the Acquisition would result in issuance of 100,000,000 shares of Taiba to acquire Dur's issued share capital. This would result in 38.4% and 61.6% of ownership interest of Dur and Taiba shareholders, respectively in Taiba upon completion of the Acquisition based on the total issued share capital of Taiba on the Acquisition date.

a) Pro forma Share Capital of Taiba Post-Acquisition

Outstanding shares of Dur as at 31 December 2022 (units)	(A)	100,000,000
Exchange ratio	(B)	1.000
Number of shares to be issued by Taiba (units)	(C=A*B)	100,000,000
Par value of shares to be issued by Taiba (SAR)	(D=C*10)	1,000,000,000
Outstanding share capital of Taiba (SAR) as at 31 December 2022	(E)	1,604,574,830
Total issued share capital of Taiba post-acquisition (SAR)	**(D+E)**	2,604,574,830

Applying the rules of IFRS 3, the consideration for Taiba's acquisition of Dur would be the fair value of 100,000,000 shares that Taiba would have to issue to acquire Dur's issued share capital.

As disclosed in the Implementation Agreement, the total value of the Consideration Shares will be determined at a later stage based on the closing share price of Taiba as published on Tadawul on the last trading day prior to the completion of the Acquisition. For the purpose of this Unaudited Pro Forma Financial Information, the assumed total value of the consideration has been calculated as defined in the Shareholder Circular by using the share price of Taiba in an amount of SAR 29.50 per share which represents the closing price of Taiba on 6 April 2023 published on Tadawul (the last trading day prior to signing the Implementation Agreement by Taiba and Dur).

b) Pro forma total consideration

The consideration is computed as follows:

Number of shares to be issued by Taiba to Dur shareholders (units)	100,000,000
Multiplied by share price of Taiba (SAR) as at 6 April 2023	29.50
Total Consideration as at 31 December 2022 (SAR)	2,950,000,000

c) Pro forma share premium of Taiba Post-Acquisition

As a result of above calculation of the Total Consideration, a share premium of SAR 1,950,000,000 arises on Taiba's issuance of the Consideration Shares for the Acquisition computed as follows:

Amounts in SAR	
Total Consideration	2,950,000,000
Less: Par value of shares issued by Taiba to Dur shareholders	(1,000,000,000)
Share premium as at 31 December 2022	1,950,000,000

Taiba Investment Company
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

B Description of the pro forma adjustments (continued)

d) Pro forma Goodwill on the Acquisition

Amounts in SAR	**31 December 2022**
Total Consideration	2,950,000,000
Less: Adjusted net assets of Dur	(1,598,980,313)
Goodwill arising on the Acquisition	1,351,019,687

Goodwill represents the excess of Total Consideration over adjusted net assets of Dur as at 31 December 2022 and the assumption that the Acquisition had taken place on that date.

The Unaudited Pro Forma Financial Information does not include any fair value adjustments on the balance sheet assets and liabilities, intangible assets arising from the Acquisition and contingent liabilities of Dur as required by IFRS 3 as the Unaudited Pro Forma Financial Information does not reflect the impact of the PPA exercise which is yet to be completed. Once the PPA exercise has been completed, the goodwill will need to be allocated into fair value adjustments resulting from the PPA exercise as at the date of the Acquisition.

The adjusted net assets of Dur have been computed by deducting non-controlling interest which represent the interest in subsidiary companies not held by Dur. These were excluded from the computation of goodwill.

Amounts in SAR	**31 December 2022**
Net assets of Dur	1,658,308,048
Less: Other equity items	
Non-controlling interest	(59,327,735)
Adjusted net assets of Dur	1,598,980,313

4. The pro forma consolidated retained earnings, and other equity balances at the date of the Acquisition represent Taiba's pre-acquisition balances with the exception of non-controlling interests that have been retained as these represent the interest in subsidiary companies not held by Dur.

   The completion of the purchase price allocation may result in different values being attributed to the assets, liabilities and contingent liabilities of Dur, acquired as part of the Acquisition than those that are shown in the Unaudited Pro Forma Financial Information for illustrative purposes. Therefore, no adjustments to such provisional amounts have been made in the unaudited pro forma condensed consolidated statement of income or unaudited consolidated condensed statement of financial position, such as, in connection with intangible assets amortisation or goodwill impairment.

Appendix (5): Copy of Dur's Bylaws and Articles of Association

Articles of Association

The First Chapter

Incorporation of the Company

Article No (1): Incorporation

Pursuant to provisions and regulations of the Companies Law and these articles, a Saudi joint stock company is incorporated according to the following:

Article No (2): Name of the Company

Dur Hospitality Company, (an enlisted Saudi joint stock company).

Article No (3): Purposes of the Company

1-Construction, owning, management, operation, investment, purchase, participation, rent and lease of hotels, restaurants, motels, rest houses, furnished residential units, entertainment centers, travel and tourism agencies, private coasts with their different levels and sizes in the cities, public roads, and tourist areas.

2- The company owns, and purchases lands, properties and organizations and it develops, divides and classifies them, and it constructs residential, commercial and hotel buildings on them, and the company also sells and conveys these buildings, or it leases them or utilizes them through all ways of utilization, and it manages the properties for account of the company or others, and it practices operation and maintenance works.

3- The company provides services to Umrah performers, and visitors of the Holy Prophet's Mosque.

4- Practicing all the basic and intermediary works required for implementing, preparing and dealing with the different aspects of the aforementioned business activities in line with the purpose for which these activities are practiced.

5- Attaining a high level of services provided in these areas and preparing them in a way suitable for their level in the way approved by the board of directors.

And the company provides the aforesaid services directly or in association with others, and it has the right to conclude the contracts required for performing the aforesaid works in a good way according to applicable laws and after obtaining necessary licenses from the concerned authorities; if any.

Article No (4): Participation and Ownership in Companies:

The company may establish alone limited liability companies or closed joint stock companies according to Companies Law, and it may also own shares and stocks at other existing companies or merge with them. It has the right to join with others in incorporating stock companies or limited liability companies after fulfilling whatever is required by laws and regulations applicable in this regard, and the company may dispose of these shares or stocks if this does not include brokerage in their circulation.

Article No (5): Head Office of the Company

Head Office of the company will be in Riyadh city. The company also has the right to establish branches, offices, or agencies inside and outside the kingdom subject to a decision by the board of directors.

Article No (6): Term of the Company:

The company term is two hundred years starting from date of end of the current term on 17/12/1445H, and the term may always be prolonged through a decision issued by the extraordinary assembly one year at least before end of its term.

The Second Chapter: Capital and Shares

Article No (7): Capital and Subscription

1- Capital of the company is (SR 1,000,000,000) one billion Saudi Riyals divided into (100,000,000) shares share with equal value with a value of (10) Saudi Riyals each.

2- Shares of the company were offered for public subscription (IPO), and shareholders have subscribed to all the shares, and their value have been fulfilled.

Article No (8): Preferred Shares:

1- The extraordinary general assembly may, according to the principles set forth by the concerned committee, issue preferred shares or decide to purchase them or to transfer ordinary shares into preferred shares, or transfer preferred to ordinary shares, and preferred shares do not give the right of voting in the general assemblies of shareholders. And these shares give their holders the right to obtain a percentage bigger than holders of ordinary shares from net profits of the company after setting aside the statutory reserve.

2- If there are preferred shares, it is not allowed to issue new shares which have priority over them without consent of a special assembly formed according to Article No (eighty nine) of the Companies Law from holders of preferred shares who are aggravated by this issue, and according to consent of a general assembly formed from all classes of shareholders, and this rule will be effective upon amending the priority rights decided for the preferred shares in the company's Articles of Association, or upon cancelling them according to provisions of Islamic shari'a.

Article No (9): Sale of Shares with Unfulfilled Value

1- Shareholder commits to pay value of the share in the times appointed for that, and if it fails to fulfill in the due time, board of directors may, after being informed through the ways stipulated in the company Articles of Association or notifying it by a registered letter, sell the share in the public auction or the stock market as per the situation , and according to the controls determined by the concerned entity.

2- The company will take from the sale proceeds the amounts due to it, and return the balance to the shareholder, and if proceeds of sale do not cover these amounts, the company may return the balance from all amounts of the shareholder.

3- Shareholder who fails to pay till day of payment may pay the value due by him, in addition to the expenses which the company spent in this concern.

4- The company cancels the sold share according to provisions of this article and it gives the purchaser a new share with the number of the cancelled one, and it marks occurrence of the sale in the shares record and writes name of the new owner.

5- The company may not claim from the shareholder to pay amounts exceeding what it commits to pay upon issue of the share, and shareholder may not claim for redeeming its share in the company capital. The company may not release the shareholder from responsibility to pay remaining value of the share, and no clearance may be made between this liability and the rights which are due to shareholders from the company.

Article No (10): Issue of the Shares:

1- The company shares will be nominal and non-dividable against it, and if the share is owned by several persons, they must choose one of them to act on their behalf in using the rights pertaining to the share, and these persons will be jointly responsible for the liabilities arising out of the share's ownership.

2- Shares may not be issued with less than their nominal value, but they may be issued with higher than this value and in this case, the value difference will be added in a separate item within the shareholder rights and may not be distributed as profits among shareholders.

Article No (11): Circulation of Shares

Shares of the company are circulated according to provisions of the Capital Market Law.

Article No (12): Shares Purchase and Mortgage

1- The company may purchase its shares or mortgage them according to controls set forth by the competent authority, and the shares that the company buys will not have votes in the shareholder assemblies.

2- Shares may be mortgaged according to controls set forth by the competent authority, and the mortgagee creditor may receive the profits and use the rights connected with the shares unless he does not agree otherwise in the mortgage contract, but mortgagee creditor may not attend meetings of the shareholders general assembly or vote on them.

Article No (13): Capital Increase

1- The extraordinary general assembly may decide increase of the company capital provided that the capital has been fully paid, and it is not required for capital to be fully paid if the unpaid part of the capital is attributed to shares issued against transfer of debit tools or finance deeds to shares, and the term for transferring them into shares has not finished yet.

2- The extraordinary general assembly may in all cases allot the shares issued upon increase of the capital or a part thereof to the workers of the company or its affiliates or some of them or any of that, and shareholders may not practice the right of priority upon issue by the company of the shares assigned for workers.

3- Capital will be increased through one of the following ways:

a- Issuing new shares against cash or in-kind shares.

b- Issue of new shares against debits with specific amount in case of performance if issue will be according to the value determined by the extraordinary general assembly after seeking help of opinion of a certified expert of evaluator, and after the board of director and the auditor prepare a statement about source of these debts and their amount, and the board members and auditor sign this statement, and hold responsibility for its validity.

c- Issue of new shares equal to the reserve which the extraordinary assembly decide to incorporate into the capital, and these shares shall be issued in the same form and situation of the circulated shares, and such shares will be distributed among shareholders free of charge proportionally to the original shares which each of them owns.

d- Issue of new shares against debit instruments or finance deeds.

4- Shareholder who owns the shares at time of issue of the resolution of the extraordinary general assembly may agree upon increase of the capital of priority in subscription with the new shares which are issued against cash stocks, and those will be informed of their priority by publishing in a daily paper or by informing them through registered mail about decision of increase of capital, subscription conditions and term and date of its start and end.

5- The extraordinary general assembly may stop work with priority right for shareholders in subscription with increase of capital against cash stocks or giving priority to non-shareholders in cases whereas it deems this as proper for interest of the company.

6- A shareholder may sell or assign the right of priority during the period from time of issue of decision of the general assembly of consent upon capital increase to the last day of subscription in the new shares associated with these rights according to the controls set up by the concerned entity.

7- Without prejudice of the provisions of Article No (140) of the Companies Law, the new shares will be distributed among holders of priority rights who claimed subscription proportionally to priority rights they own from total priority rights caused by increase of capital, if this does not exceed what they claimed from the new shares. The remaining from the new shares will be divided among holders of priority rights who claimed for more than their share proportionally to priority rights they own from total priority rights arising out of increase of the capital, provided that what they obtain does not exceed what they claimed from the new shares, and the remaining shares will be offered to third parties unless otherwise is determined by the extraordinary general assembly or provision of the capital market law.

Article No (14): Capital Decrease:

1-Extraordinary General Assembly may decide reduction of capital if it is more than the company requirements, or if it incurred losses, and only in the latter case may the capital be decreased to below the limit stated in Article No (54) of Companies Law, and the decrease decision may only be issued after reciting a special report prepared by the auditor about reasons leading to it, and the liabilities on part of the company and effect of decrease on these liabilities.

2-In the event the reduction of capital is resulted from being more than the company requirement, the creditors may be called to object thereon within (60) sixty days from the date of publishing the reduction decision in a daily journal distributed in the area where head office of the company is located. If any debtor objects thereof and submits his documents on the date specified, the company shall pay him his debt if it is due, or it may present thereto a sufficient guarantee to fulfill it if it must be paid later.

3- Capital is reduced through one of the following ways:

a- Cancelling several shares equal to the amount required to be reduced.

b- Purchase by the company of a few of its shares equal to the portion required to be decreased, and then cancelling them.

4- If decrease of the capital is made through cancelling several shares, equality between shareholders shall be observed, and those shall present to the company, in the time determined by it, the shares determined to be cancelled, and otherwise they will be considered as cancelled.

5- If decrease of capital is made through purchase of several the company shares to cancel them, shareholders must be invited to offer their shares for sale, and this invitation is made through informing shareholders through registered mail or in a daily paper distributed in the company head office of the company desire to purchase the shares.

6- If the number of shares offered for sale exceeds the number the company determined to purchase, sale requests shall be decreased according to this increase.

7- Purchase of the shares will be estimated according to Stock Market law.

The Third Chapter

The Board of Directors

Article No (15): Management of the Company:

1- The company management is undertaken by a board of directors composing of (9) nine members elected by the ordinary general assembly for no more than three years, and as members of the board of directors may be re-elected.

2- Each shareholder may nominate himself or another person or more for membership of the board of directors within limits of the percentage of his ownership (shareholding) in the capital.

Article No (16): Expiry of the Board Membership:

1-The Board membership ends with expiry of its period or by having the member abstaining from attending the board meetings, or due to death or expiry of the member according to any law or instructions applicable in the Kingdom. However the ordinary general assembly may at any time terminate all members of the board of directors or some of them without violation of the right of terminated member towards the company for claiming for compensation if termination is made without a justifiable reason or untimely, and member of the board of directors may resign provided that this happens in a proper time as otherwise he will be responsible to the company for the damages caused by resignation, and in all cases, member of the board of directors will not be released from responsibility of his membership unless the general assembly agree upon that.

3- The general assembly may – upon recommendation of the board – terminate membership of members who are absent from attending three successive sessions of the board without a justifiable excuse accepted by the board.

Article No (17): Vacancy in the Board:

1- If a position is vacant in the board of directors, the board may appoint a member temporarily in the vacant position provided that the elected member fulfills conditions of experience and competence and ministry and capital market authority shall be informed of that within five workdays from date of appointment, and appointment shall be proposed to the ordinary general assembly in its first meeting, and the new member will complete the period of his predecessor.

2- If the number of the members of the board of directors goes down to five members, the ordinary general assembly shall be invited within sixty days to appoint the necessary number of members and the general assembly may at any time terminate all some of the members of the board of directors.

Article No (18): Authorities of the Board

1- Without prejudice of the authorities determined for the general assembly, the board of directors will have the broadest powers and authorities in managing the company in a way that serving its purposes, and it may, within limits of its authorities, or it may authorize one or more from among its number or from outside the board to commence specific work or works.

2- The board of directors may conclude loans agreement regardless of their term, or it may sell assets of the company or mortgage them, or sell the company commercial store or mortgage it, or release the company debtors from their liabilities.

3- The company may not give loans of any type to any of the members of the board of directors or to shareholders in it, or to incorporate any loan agreement concluded by any of them with third parties.

4- Member of the board of directors may not have any direct or indirect interest in the works or contracts made for account of the company without license from the ordinary general assembly and according to the controls set up by competent authority, and the board of directors shall inform the board of any direct or indirect interest in the works or the contracts completed for the company account, and shall put this notification in the meeting minute, and this member will not participate in voting on the decision issued in this regard in the board of directors and the shareholder assemblies. Chairman of the board of directors will inform the ordinary general assembly upon holding its meeting of the businesses and the contracts in which one of the members of the board of directors has direct or indirect interest, and the notification will be accompanied by a special report from the company's external auditor.

Article No (19): Remunerations of the Board Members

1-Remuneration of the board of directors; if any shall be composed as estimated by the ordinary general assembly based on proposal from board of directors provided that this remuneration will be given according to the controls and the limits set forth by the competent authority, in addition to allowance for attending the sessions or in-kind benefits, and it is allowed to get jointly two or more of the benefits. Report of the board of directors to the ordinary general assembly shall include a comprehensive statement of all remunerations, expenses, and other benefits that members of the board of directors obtained during the fiscal year. It will also include statement of the amounts that members received as workers or administrators or what they received against technical or administrative works or consultancies and will also include a statement of the number of sessions of the board and the number of sessions attended by each member till date of the last meeting of the general assembly.

2-In all cases, total of rewards and financial or in-kind remuneration received by a member of the board of directors shall not exceed an amount of five hundred thousand Saudi Riyals annually according to the controls set up by the concerned authority.

Article No (20): Authorities of the Chairman, the Deputy Chairman, the Managing Director, and the Secretary:

1- The board of directors appoints from among its number a chairman and a deputy chairman, and it may appoint a managing director and it is not allowed to join in the meantime the position of the chairman and any executive position in the company.

2- Chairman of the board of directors has the right to represent the company before judiciary entities, arbitration tribunals and others, and in its relationship with others and signing contracts of selling and conveying of the company real estates, property purchase contracts and accepting conveyance, paying the price, mortgaging and releasing mortgage, dividing, separating, referring to companies, establishments, government entities and their branches and their affiliated departments and sections as well as the banks, and to sign on the contracts of loans, withdrawing from accounts, depositing, signing articles of incorporation and amendment appendixes, and signing of the decisions of shareholders, claiming, raising claims, pleading, defending, hearing the lawsuits and replying to them, and he has the right to admit, deny, reconcile, ask for oath and reject it, obtain from it, bring witnesses and evidences, appeal against them, answer, criticize and endorse, appeal against experts and arbitrators report and reject and replace them, accept and reject judgments, raise objection against rules, request appeal, finalize whatever requires attending in the sessions in all lawsuits with the courts, receive the amounts through a check in the company name, receive deeds of judgment, appeal with the labor committee, the office of settlement of commercial paper disputes, committees of settlement of commercial disputes and to report to all related entities and to finalize all necessary procedures, and sing as required and has the right to appoint others as attorneys in relation to all of the aforesaid.

3- Deputy Chairman of the board of directors shall replace chairman of the board when he is absent.

4- Board of directors has the right to give the right of signature on behalf of the company to any other member or more of the board members solely or jointly, and the board has the right to authorize some managers other than members of the board of directors to commence specific work or works jointly or severally, and the board of directors determines remuneration of the chairman of the board and the managing director in addition to the remuneration determined for them as members in the board of directors.

5- The board of directors appoints a secretary who is concerned with secretariat works of the board, and the board of directors will determine his remuneration and term.

Article No (21): Meetings of the Board

1-The board of directors meet two times per year according to invitation from its chairman, and invitation will be in writing and signed as received, and chairman of the board shall invite the board to meet whenever so is required by two of the members.

3- A member of the board of directors may not delegate another person to attend the meeting on his behalf, and except for this case, member of the board of director may delegate another member.

Article No (22): Quorum of the Board Meeting

1- Board meeting is only valid if it is attended by (half of the members at least), provided that the number of the attendees is not less than (5) members. Decisions of the board are issued according to majority of the members attending personally or through their representatives, and upon equality of votes, the side involving the chairman will have the casting vote.

2- The board of directors may issue decisions in urgent matters through proposing them to members severally (separately) unless one of the members request in writing a meeting of the board for discussion, and these decisions are proposed to the board of directors in its first meeting next to that meeting.

Article No (23): Deliberations of the Board:

The board of directors' deliberations and decisions are registered in minutes signed by chairman of the board, members of the board of directors attending and the secretary, and these minutes are noted down in a register signed by the Chairman of the Board of Directors and the secretary.

The Fourth Chapter: Assemblies of Shareholders

Article No (24): Attending the Assemblies:

Every shareholder has the right to attend the general assemblies of shareholders, and the shareholder may appoint another person who is not a member of the board or a company employee to be his attorney and act on his behalf in attending the general assembly.

Article No (25): Authorities of the Ordinary General Assembly:

1-Except for matters governed by the extraordinary general assembly, the ordinary general assembly is concerned with all matters related to the company, and it is held once at least in the year during the six months next to end of the company fiscal year, and another ordinary general assembly may be invited as needed.

2-The properly constituted general assembly represents all shareholders and may be held only in Riyadh city.

Article No (26): Authorities of the Extraordinary General Assembly:

The extraordinary general assembly is concerned with the amendment of the Articles of Association of the company except for the matters that are not allowed to be amended according to the law, and it is also concerned with increase or decrease of capital or prolonging the company term or liquidating it before expiry of the term fixed in its Articles of Association, or by merging the company into another company or organization. Moreover, it may issue decisions in the matters which are originally included within the authorities of the ordinary general assembly according to the same conditions and situations determined for the last assembly.

Article No (27): Inviting the Assemblies

1- The general or special assemblies of the shareholders are convened according to an invitation by the board of directors, and the board of directors shall invite the general assembly to meet if so is requested by the auditor, the auditing committee or a number of shareholders representing (5%) of the capital at least.

2- Invitation for holding the general assembly and the agendas shall be published in a daily paper distributed in the head office of the company (21) days at least before the time fixed for holding the meeting. Nevertheless, it is sufficient to send invitation in the said appointment to all shareholders through registered letters and a copy of the invitation and the agenda will be sent to the ministry and CMA for publishing.

Article No (28): Assemblies Record of Attendance:

Upon holding the assembly, a list of the name of the shareholders attending personally or through representatives shall be drawn, and it shall state their domiciles and the shares they possess principally or by proxy and the number of votes assigned to them, and every interested or concerned person may have access to this list.

Article No (29): Quorum of the Meeting of the Ordinary General Assembly

1- The meeting of the ordinary general assembly may not be valid unless it is attended by shareholders constituting at least quarter of the capital of the company.

2- If the quorum required for holding meeting of the ordinary general ordinary assembly is not attained subject to clause No (1) herein, an invitation will be extended to a second meeting to be held within the next thirty days, and the invitation shall be published according to the way stipulated in Article No (27/2) of this law. However, the second meeting may be held one hour after expiry of the period determined for holding the first meeting provided that the invitation for holding the first meeting includes indication of the possibility of holding this meeting, and in all cases the second meeting will be valid regardless of the number of the shares represented in it.

Article No (30) Quorum of the Extraordinary General Assembly:

1- The meeting of the extraordinary general assembly is required to be attended by several shareholders constituting at least half of the capital to be valid.

2- If such quorum required for holding extraordinary general assembly is not available in the first meeting according to clause (1) above, an invitation is sent to a second meeting to be held under the same situations stipulated in Article No (27/2) hereof. Nevertheless, the second meeting may be held one hour after expiry of the period determined for holding the first meeting provided that the invitation for holding the first meeting includes indication of the possibility of holding this meeting, and in all cases the second meeting will be valid if it is attended by several shareholders constituting quarter of the capital.

3- If the required quorum is not fulfilled in the second meeting, an invitation will be directed to a third meeting which will be held according to the same conditions stipulated by Article No (27/2) hereof, and the third meeting will be valid regardless of the number of shares represented in it, after consent of the concerned authority.

Article No (31): Voting in the Assemblies

1-Each subscriber will have a vote for each share that it represents in the general assemblies.

2-Members of the board of directors may not participate in voting on the assembly decisions related to discharging them from responsibility for company management or related to a direct or indirect interest which they have.

3-Meetings of the shareholder general assemblies may be held through modern means of technology, and the shareholder may participate in their discussions and vote on their decisions through modern means of technology subject to the controls set forth by the concerned entity.

Article No (32): Decisions of the Assemblies:

1- Decisions in the ordinary general assembly are issued according to absolute majority of the shares represented in the meeting.
2- The decisions of the ordinary general assembly are issued by a majority constituting two thirds of the shares represented in the meeting, except in cases whereas the decision is related to increase or decrease of the capital or prolonging of the company term or dissolution of the company before

expiry of the term determined in its Articles of Association or by merging with another company as decision in these cases will be only valid if it is issued by a majority constituting three quarters of the shares represented in the meeting. The board of Directors shall announce decisions of the extraordinary general assembly if they include amendment of the company Articles of Association.

Article No (33): Discussions in the Assemblies:

1- Every shareholder has the right to discuss the subjects enlisted in the assembly agenda, and to ask questions in this regard to members of the board of directors and the auditor.

2- The board of directors and auditor answers questions of the shareholders to the extent that do not expose company interest to damage, and if shareholder believes that reply to his question is not satisfactory, it will resort to the assembly, and its decision in this regard will be effective.

Article No (34): Assembly Chairmanship & Minutes Preparation:

1-The general assembly meetings of shareholders will be presided by the chairman or his deputy in case of his absence or by the board representative among the board number in the event of absence of the chairman and deputy chairman.

2-Minutes should be written for the general assembly meeting including the number of shareholders, number of shares in their possession whether for themselves or in the capacity of attorneys-in-fact, number of relevant votes, the decisions taken, number of approving or disapproving votes and a sufficient summary of the meeting's discussions. The minutes should be recorded on a regular basis following each meeting in a separate register signed by the general assembly's chairman, secretary, and votes collector.

The Fifth Chapter: The Auditing Committee

Article No (35): Formation of the Committee:

According to a resolution of the ordinary general assembly a committee shall be formed composing of three members from persons other than executive members of the board of directors whether from shareholders or others. The decision determines functions of the committee, controls of its work and remuneration of its members.

Article No (36): Quorum of the Committee Meeting:

For valid meeting of the auditing committee, it is required to be attended by majority of its members, and its decisions are issued with majority of the votes of attending members, and upon equality of votes, the side supported by the committee chairman will have the casting vote.

Article No (37): Authorities of the Committee

The auditing committee is concerned with auditing of the company businesses, and to this effect it has the right to access to the company registers and documents, and to request any note or a statement from members of the board of directors or the executive management. It may claim from the board of directors to invite the general assembly of the company to meet if the board of directors impedes its work, or if the company is exposed to grave damages or losses.

Article No (38): Reports of the Committee:

The auditing committee shall consider financial statements of the company and the reports and remarks that auditor presents, and it shall show its opinions on them, if any. It will also prepare a report on its opinion regarding adequacy of the internal control system in the company, and it may show opinions about the works it did which are part of its authorities. Board of Directors will deposit sufficient copies of this report at the company head office “twenty-one” days at least before holding the general assembly to provide every interested shareholder with a copy thereof, and the report will be recited during holding of the assembly.

The Sixth Chapter
The Auditor

Article No (39): Auditor Appointment:

1- The company shall have one or more of the auditors licensed to work in the kingdom, appointed by the ordinary general assembly annually and its remuneration and period of work will be determined by the assembly. The assembly may re-appoint it provided that the term of its appointment does not exceed five successive years, and an auditor who completes this period may be re-appointed after elapse of two years from date of its end. The assembly may also at every time change it without violating its right in compensation if change is made untimely or for unlawful reason.

2- Auditor may, at any time, have access to company books and records and other documents, and may also request data and notes that it deems necessary to obtain to verify the company assets and liabilities and other items within its scope of work.

3- The auditor shall present to the annual ordinary general assembly a report prepared according to the generally accepted auditing standards in which it mentions the attitude of company management regarding enabling it to obtain the data and notes it requested and violations to provisions of the company's law or provisions of this law that comes to its knowledge, and its opinion about fairness of the company financial statements.

The Seventh Chapter

The Company Accounts and Profits Distribution

Article No (40): The Fiscal Year:

The company's fiscal year starts on the first day of (January) and ends at the end of (December) of every year.

Article No (41): Financial Documents:

1- The board of directors shall, at end of every financial year, prepare the financial statements of the company, and a report on activity of the company and its financial position of the fiscal year then ending, and the report shall include the way proposed for distribution of the profits, and the board puts these documents under disposition of the auditor forty-five days at least before the time determined for holding the general assembly

2- Chairman of the board of directors of the company and its CEO and financial manager shall sign the documents mentioned in clause No (1) hereof, and copies thereof shall be deposited at the company head office under disposition of the shareholders twenty-one (21) days at least before the time fixed for holding the general assembly.

3- Chairman of the board of directors shall provide shareholders with the financial statements of the company, the report of the board of directors, and the auditor report if they are not published in a daily paper distributed in the company's head office, and he shall also send these documents to the Ministry and the Capital Market Authority fifteen (15) days at least before date of holding the ordinary general assembly.

Article No (42): Distribution of Profits:

The net annual profits of the Company shall be distributed in the manner described below:

Shari'a zakat shall be set aside.

A Portion equal to 10% of the annual net profits at least shall be set aside to form the statutory reserve. General assembly of the shareholders may decide to stop setting aside this percentage once the statutory reserve reaches (30%) of the company Capital.

The ordinary general assembly may decide formation of other reserves to the extent realizing interest of the company or guarantees distribution of permanent profits as far as possible among shareholders.

The remaining after that will be distributed among shareholders partially or entirely as an additional share in the profits or carried forward to next year's according to what is determined by the ordinary general assembly of shareholders.

The ordinary board of directors may, based on proposal from the ordinary general assembly of shareholders to be renewed every year, distribute terminal profits on biannually or quarterly basis, according to controls issued by the competent authority.

Article No (43): Maturity of Profits:

Shareholder is entitled to its shares in the profits according to decision of the general assembly issued in this concern, and the decision explains date of maturity and date of distribution, and the party entitled to profits will be the owners of shares registered in the shareholders registered at end of the day determined for maturity (entitlement). The concerned authority defines the maximum period during which the board of directors must put into effect decision of the ordinary general assembly regarding distribution of profits among shareholders.

Article No (44): Distribution of Preferred Share Profits

1- If no profits are distributed for any fiscal year, it will not be allowed to distribute profits for the following years unless the specific percentage is paid according to provision of Article No (114) of Companies Law to owners of the preferred shares for this year.

2- If the company fails to pay the portion specified according to rule of Article No (114) of Companies Law of the profits for three successive years, the general assembly of the owners of these shares may, according to provisions of Article No (89) of Companies Law decide either they attend meetings of the general assembly of the company and participate in voting, or appoint representatives for them in the board of directors in a way suitable to the value of their shares in the capital till the company is able to pay all profits of priority assigned for owners of these shares for the previous years.

Article No (45): The Company Losses:

1- If the company losses reach half of its paid up capital at any time, during the financial year, each officer of the company or the accounts auditor should, as soon as he knows about that, inform the chairman, and the chairman should in turn inform the board members of the event, and the board of directors shall, within fifteen (15) days from knowing about that call the extraordinary general assembly to meet within forty five (45) days from the date of knowing of the losses to decide whether to increase or reduce the capital pursuant to provisions of the Companies Law, to the extent that losses are lowered to less than half of the company's capital, or to dissolve the company before the time set out according to Companies Law.

2- The company shall be considered as defunct by the force of the Companies Law if the general assembly has not held a meeting during the term mentioned in clause (1) hereof, or if it has convened and it was difficult for them to issue a decision on the subject, or if a decision is taken for increasing the capital, in accordance with the situations mentioned in this article, but no subscription is made to all capital increase within ninety (90) days of issuing the assembly's decision for the increment.

The Eighth Chapter

Disputes

Article No (46): Responsibility Claim

Each shareholder has the right to raise the responsibility lawsuit determined for the company against the members of the board of directors if such an error made by them may cause a damage to it, and the shareholder may not raise the said case unless the company right in raising it is still present, and the shareholder shall inform the company of its determination to raise the lawsuit.

The Ninth Chapter

The Company Dissolution and Liquidation

Article No (47): The Company Termination

The Company shall enter the phase of liquidation and it retain its body corporate character to the extent needed for the liquidation. The decision for voluntary liquidation will be issued by the extraordinary general assembly. The liquidation decision shall include appointment of the liquidator and identification of his authorities, remuneration, and the restrictions on his powers and the time required for the liquidation. The period of voluntary liquidation should not exceed five (5) years and must not be extended for more than this period without a judicial order. The power of the company's board of directors shall expire upon its dissolution. Nevertheless, board members shall remain responsible for the company's management and are considered towards the others as liquidators until the liquidator is appointed. The shareholders assemblies shall remain during liquidation period and their role will be restricted to practicing their authorities that do not conflict with the liquidator's authorities.

The Tenth Chapter

Final Provisions

Article No (48):

The Companies Law and its regulations shall be applicable for all matters not provided for in these articles.

Article No (49)

These articles are to be deposited and published as provided for in the Companies Law and its regulations.

بسم الله الرحمن الرحيم

وزارة التجارة

المملكة العربية السعودية

الرقم ....   الموضوع ....

التاريخ / /

الادارة العامة للشركات

قـرار رقـم (٢٦٢٩) وتاريـــخ ١٠/١٩/ ١٣٩٦هـ

ان وزير التجارة بالنيابة .

بما له من صلاحيات .

وبناء على صدور المرسوم الملكي الكريم رقم م/٦٩ في ١٣٩٥/٧/٢٨هـ القاضي بالموافقة بتأسيس الشركة السعودية للفنادق والمناطق السياحية شركة مساهمة سعودية وفقا لنظام الشركات .

وبناء على الطلب المقدم لنا من الشركة بتاريخ ١٣٩٦/٩/١٨هـ لاصدار قرار اعلان تأسيسها طبقا لأحكام نظام الشركات الصادر بالمرسوم الملكي الكريم رقم م/٦ في ١٣٨٥/٣/٢٢هـ .

وبعد الاطلاع على قرارات الجمعية التأسيسية لمساهمي الشركة بتاريخ ١٣٩٦/٩/١٧هـ .

وبعد الاطلاع على نظام الشركات .

يقـرر ما يلـــي :-

أولا : اعلان تأسيس الشركة السعودية للفنادق والمناطق السياحية .

ثانيا : ينشر هذا القرار وعقد الشركة ونظامها الأساسي في الجريدة الرسمية على نفقة الشركة .

وزيـر التجـــارة بالنيابـــه

عبد الرحمن آل الشيخ

بسم الله الرحمن الرحيم

المملكة العربية السعودية
ديوان رئاسة مجلس الوزراء

الرقم :
التاريخ :
التوابع :

بسم الله الرحمن الرحيم

الرقم : م/٦٩
التاريخ : ١٣٩٥/٧/٢٨هـ

بعون الله تعالـــــى

نحن خالد بن عبدالعزيـــز آل سعـــــــــود

ملك المملكة العربيـــة الســـــعودية

بعد الاطلاع على المادة الثانية والخمسين من نظام الشركات الصادر بالمرسوم الملكي رقم (م/٦) وتاريخ ١٣٨٥/٣/٢٢هـ.

وبعد الاطلاع على قرار مجلس الوزراء رقم (٨٨٦) وتاريخ ١٣٩٥/٧/١٩هـ.

رسمنا بما هـــــــو آت

أولا :- يرخص بتأسيس الشركة السعودية للفنادق والمناطق السياحيـــــــــــــة

ثانيا :- على نائب رئيس مجلس الوزراء ووزير التجارة والصناعة تنفيذ مرسومنا هـــذا ،،،،

التوقيع الملكي الكريم

عقد تأسيس الشركة السعودية للفنادق
والمناطق السياحية

في يوم الاثنين الموافق ١٨/١/١٣٩٦هـ وبعون من الله اتفق مؤسسوا الشركة وهم :-

١- الدكتور منصور التركي وكيل وزارة المالية والاقتصاد الوطني للشئون الاقتصادية ممثلا للوزارة.

٢- الاستاذ ابراهيم الزيد مدير عام مؤسسة التأمينات الاجتماعية ممثلا للمؤسسة

٣- عمران المحمد العمران (شركة الاعمال المدنية)

٤- صالح عبدالله كامل

٥- فهد عبد الرحمن الطبيشي (شركة التنمية العقارية)

٦- عبدالمنعم محمد عقيل (فندق اليمامة)

٧- علي حسين شبكشي

٨- فهد حسين شبكشي

٩- صالح عيسى بوقري فندق مكة

١٠- عبدالرزاق صالح بوقري (فندق الفتح)

وبعد ان أقروا باهليتهم للتصرف وهم بالحالة المعتبرة شرعا فقد اتفقوا وتراضوا على انشاء شركة مساهمة سعودية طبقا لاحكام نظام الشركات الصادر بالمرسوم الملكي رقم م/٦ وتاريخ ٢٢/٣/١٣٨٥هـ والنظام الاساسي للشركة ووفقا لما يلي :-

مادة ١- اسم الشركة : الشركة السعودية للفنادق والمناطق السياحية.

مادة ٢- غرض الشركة :-

أ) الانشاء والتملك والادارة والشراء والمشاركة والاستيجار والايجار للفنادق والمطاعم والموتيلات والاستراحات والشواطئ الخاصة على اختلاف مستوياتها واحجامها في المدن والطرق العامة والمناطق السياحية.

ب) ممارسة كافة الاعمال الاساسية والوسيطة اللازمة لتنفيذ وتجهيز ومباشرة أوجه النشاط المختلفة للأعمال السالفة الذكر بما يتلاءم والغرض المخصصة من أجلها.

جـ) تحقيق مستوى عال من الخدمة والخدمات المقدمة في هذه الاماكن وتجهيزها بما يتناسب مع درجتها وذلك بالطريقة التي يقررها مجلس الادارة.

(٢)

وتقوم الشركة بما تقدم من هذه الاعمال سالفة الذكر بواسطتها مباشرة أو بالاشتراك مع الغير ولها أن تبرم كافة العقود اللازمة لحسن تنفيذ ما تقدم .

مادة ٣ - المركز الرئيسي للشركة : مدينة الرياض .

مادة ٤ - مدة الشركة خمسة وعشرون سنة هجرية تبدأ من تاريخ صدور قرار مجلس الوزراء رقم ١٧٧٦ وتاريخ ١٣٩٥/١٢/١٨ هـ .

مادة ٥ - رأس مال الشركة : حدد رأس مال الشركة بمبلغ خمسمائة مليون ريال سعودى المدفوع منه ثلاثمائة مليون ريال ، مقسم الى ثلاثة ملايين سهم متساوية القيمة ، تبلغ قيمة كل سهم منها مائة ريال ، وجميع الأسهم عادية ونقدية .

مادة ٦ - الاكتتاب برأس المال : اكتتب المؤسسون في مليون وثمانمائة الف (١ر٨٠٠ر٠٠٠) سهما" ودفعوا من قيمتها كما يلي :-

اسم المؤسس	الأسهم المكتتب بها			
	عددها	قيمتها	المدفوع منها	المتبقي
١) وزارة المالية والاقتصاد الوطني	٩٠٠ر٠٠٠	٩٠ر٠٠٠ر٠٠٠	٢٢ر٥٠٠ر٠٠٠	٦٧ر٥٠٠ر٠٠٠
٢) مؤسسة التأمينات الاجتماعية	٢١٠ر٠٠٠	٢١ر٠٠٠ر٠٠٠	٥ر٢٥٠ر٠٠٠	١٥ر٧٥٠ر٠٠٠
٣) عمران محمد العمران (شركة الاعمال المدنية)	١٢٠ر٠٠٠	١٢ر٠٠٠ر٠٠٠	٣ر٠٠٠ر٠٠٠	٩ر٠٠٠ر٠٠٠
٤) صالح عبد الله كامل	١٢٠ر٠٠٠	١٢ر٠٠٠ر٠٠٠	٣ر٠٠٠ر٠٠٠	[illegible]ر٠٠٠
٥) عبد المنعم محمد عقيل	١٥ر٠٠٠	١ر٥٠٠ر٠٠٠	٣٧٥ر٠٠٠	١ر١٢٥ر٠٠٠
٦) علي حسين شبكشي	١٢٠ر٠٠٠	١٢ر٠٠٠ر٠٠٠	٣ر٠٠٠ر٠٠٠	٩ر٠٠٠ر٠٠٠
٧) فهد حسين شبكشي	١٢٠ر٠٠٠	١٢ر٠٠٠ر٠٠٠	٣ر٠٠٠ر٠٠٠	٩ر٠٠٠ر٠٠٠
٨) فهد عبد الرحمن الطبيشي (شركة التنمية العقارية)	١٢٠ر٠٠٠	١٢ر٠٠٠ر٠٠٠	٣ر٠٠٠ر٠٠٠	٩ر٠٠٠ر٠٠٠
٩) صالح عيسى بوقرى (فندق مكة)	٤٥ر٠٠٠	٤ر٥٠٠ر٠٠٠	١ر١٢٥ر٠٠٠	٣ر٣٧٥ر٠٠٠
١٠) عبد الرزاق صالح بوقرى (فندق الفتح)	٣٠ر٠٠٠	٣ر٠٠٠ر٠٠٠	٧٥٠ر٠٠٠	٢ر٢٥٠ر٠٠٠

وقد تم ايداع ما دفعه المؤسسون في بنكي الرياض والاهلي بأسم الشركة تحت التأسيس أما باقي رأس المال والذى يمثل مليون ومائتي الف سهم قيمتها مائة وعشرون مليون ريال فتطرح للأكتتاب العام وفقا" لأحكام نظام الشركات .

طيبة للاستثمار
TAIBA INVESTMENTS

(٣)

مادة ٧ - ادارة الشركة : يتولى ادارة الشركة مجلس ادارة مؤلف من أحد عشر عضواً وتكون مدة المجلس وتحديد صلاحياته وتعيين أعضائه ومقدار مكافآتهم حسبما نص عليه في نظام الشركة واستثناء من ذلك صدور قرار مجلس الوزراء رقم ١٧٧٦ وتاريخ ١٣٩٥/١٢/١٨ هـ بتعيين أول مجلس ادارة لمدة سنة.

مادة ٨ - السنة المالية للشركة : تبتدئ السنة المالية للشركة من غرة رجب وتنتهي في نهاية جمادى الثانية من كل سنة علماً بأن السنة المالية الأولى تشمل المدة التي تنقضي من تاريخ القرار الصادر بأعلان تأسيس الشركة وتنتهي بنهاية جمادى الثانية من السنة التالية.

مادة ٩ - يتولى مجلس الادارة المشار اليه في المادة (٧) أعلاه كافة اجراءات التأسيس.

وبالله التوفيق ،،،،،،

المؤسسون

وزارة المالية والاقتصاد الوطني د. منصور التركي	....
المؤسسة العامة للتأمينات الاجتماعية الاستاذ ابراهيم الزيد	....
عمران المحمد العمران (شركة الأعمال المدنية)	....
صالح عبد الله كامل	....
فهد عبد الرحمن الطبيشي (شركة التنمية العقارية)	....
عبد المنعم محمد عقيل (فندق اليمامة)	....
علي حسين شبكشي	....
فهد حسين شبكشي	....
صالح عيسى بوقرى (فندق مكة)	....
عبد الرزاق صالح بوقرى (فندق الفتح)	....

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