Dur Hospitality Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2020

Building a better working world

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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.

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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 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
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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

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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
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
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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)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE NO. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	***2020***	*2019*
		SR	*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.

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.

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

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.

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.

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.

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.

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.

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".

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.

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.

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.

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.

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.

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.

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.

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

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.

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

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.

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.

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

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due to related parties

			Amount of Transaction		*Balance*	
			2020	*2019*	***2020***	*2019*
Related party	***Relationship***	***Nature of transaction***	***SR***	*SR*	***SR***	*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	*2019*
	SR	*SR*
Salaries and benefits	**3,775,604**	5,596,112
End-of-service benefits	**314,634**	469,026

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	*2019*
	SR	*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	*2019*
	SR	*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	*2019*
	SR	*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

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**

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.

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**

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

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

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	*2019*
	SR	*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	*2019*
	SR	*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	*2019*
	SR	*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	*2019*
	SR	*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

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)

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.

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

25 COST OF REVENUE

	2020	*2019*
	SR	*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	*2019*
	SR	*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	*2019*
	SR	*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.

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	*2019*
	SR	*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.

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	*2019*
	SR	*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.

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

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.

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).