

shareholders to attend the Ordinary General assembly meeting (first meeting) via modern technology.

The Board of Directors of the Tourism Enterprise Company "Shams" is pleased to invite its esteemed shareholders to attend the Ordinary General Assembly meeting (the first meeting), which is scheduled to be held, God willing, at 7:00 PM on Thursday: 18/12/1447 AH corresponding to 04/06/2026 AD. Through modern technology. This is in the city of Al-Khobar at the company's main headquarters, Also, each shareholder registered in the company's shareholder register at the Edaa Center at the end of the trading session preceding the general assembly meeting has the right to attend the assembly meeting, and each shareholder has the right to discuss the topics listed on the assembly's agenda and ask questions. The Ordinary General Assembly meeting shall be valid if it is attended by shareholders representing at least a quarter of the company's shares that have voting rights. If the quorum necessary to hold this meeting is not available, an invitation to a second meeting shall be sent one hour after the end of the period specified for holding the first meeting. In all cases, the second meeting is valid regardless of the number of shares with voting rights represented in it.

Ordinary General Assembly Items: -

Item (1): Reviewing the Board of Directors' report for the financial year ending on December 31, 2025 and discussing it. (attached)

Item (2): Vote on the company's auditor's report for the financial year ending on December 31, 2025 after discussing it. (attached)

Item (3): Review and discuss the financial statements for the fiscal year ending on December 31, 2025. (attached)

Item (4): Vote on appointing an auditor for the company from among the candidates based on the recommendation of the Audit Committee in order to examine, review and audit the financial statements for the quarter (second, third and annual) of the fiscal year 2026 AD and the first quarter of the fiscal year 2027 AD and determine his fees.

Shareholders registered in the Tadawulaty services can vote electronically on the items of the assembly, starting from one o'clock in the morning on Sanday 14/12/1447 AH corresponding to 31/05/2026 AD until the end of the time of the assembly, and registration and voting in the Tadawulaty services will be available and free for all shareholders, using the following link <https://www.tadawulaty.com.sa/>

The right to register attendance at the assembly meeting expires at the time of the assembly meeting. The eligibility to vote on the assembly's articles for those present ends when the counting committee finishes counting the votes.

If you have any questions, please contact the Shareholder Relations Department over the phone: (013-8366669 Ext.: 7000)

or on the e-mail: Info@shamstourism.com.sa

Audit Committee Report

Tourism Enterprises Co. (SHAMS)

Financial Year 2025

To shareholders
Tourism Enterprises Co. (SHAMS)
Al Khobar - Kingdom of Saudi Arabia

1. Preamble

1.1 Effective internal control is one of the primary responsibilities of the Board of Directors. The objectives of the Audit Committee are to assist the Board in fulfilling its responsibilities regarding the adequacy and effective implementation of the Company's internal control, financial control, and risk management systems, and to provide any recommendations to the Board that would enhance and develop internal control in a manner that achieves the Company's objectives and protects the interests of shareholders.

1.2 The Audit Committee was formed by a decision of the Company's Board of Directors dated 5/28/2024 AD, in accordance with the powers granted and the rules and standards approved in the Committee's work regulations, which ensure that the Committee carries out its responsibilities and performs its supervisory and oversight tasks.

1.3 During the year 2025, the Audit Committee held a number of (7) meetings, through which preliminary and annual financial statements, and work of internal audit and external auditor were discussed, in the light of financial statements and information provided by the Executive Management and the external auditor. The Audit Committee therefore performed the following procedures:

2. Preliminary and Annual Financial Statements

2.1 Examine the Company's preliminary and annual financial statements before submitting them to the Board of Directors and express views and recommendation thereon to ensure their integrity, fairness, and transparency.

2.2 Express a technical view on whether the Board of Directors' report and the financial statements of the Company are fair, balanced, and understandable and include information that allows shareholders and investors to assess the Company's financial position, performance, business model and strategy.

2.3 Examine any important or unfamiliar matters contained in financial reports.

2.4 Thoroughly examine any matters raised by the Chief Financial Officer, representative thereof or auditor.

2.5 Examine its accounting policies according to nature of its work and express view and recommendation to the Board in this regard.

3. Internal Audit

3.1 Follow-up on internal audit and ensure its effectiveness and continuity to check availability and effectiveness of required resources.

3.2 Examine and take cognizance of internal audit reports and follow up on implementation of corrective procedures for notes contained therein and inform the Board of the substantive notes.

3.3 Review annual internal audit works.

3.4 Check independence of the internal auditor and effectiveness of the internal audit work in line with relevant standards.

4. External Auditor

4.1 Review the external auditor's workplan and work thereof and provide views thereon.

4.2 Check independence, objectivity and fairness of the External Auditor, and effectiveness of audit work, considering relevant rules and standards.

4.3 Answer company's external auditor queries.

4.4 Examine external auditor's report and notes on the financial statements and follow-up actions taken in this regard.

4.5 Recommend to the Board nominating auditors and determining their fees.

5. Audit Committee View

5.1 During its meetings, the Committee had taken cognizance of the internal audit report and met with the external auditor and had taken cognizance of reports issued thereby. The Committee periodically followed up on the Executive Management's efforts to ensure addressing detected notes and setting controls to limit its impact on the internal control system.

5.2 Based on the foregoing, no substantive notes on the internal control system have been found to affect integrity and fairness of financial statements, noting that any internal control system cannot provide absolute assurances but reasonable ones as to integrity and effectiveness of the internal control system. The Committee has undertaken the necessary oversight of internal audit work in accordance with what provided by the Executive Management or what transferred by the Board to examine and as presented thereto.

5.3 There is also no conflict between the Audit Committee's recommendations and decisions with the Board of Directors.

Audit Committee

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2025

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2025

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TOURISM ENTERPRISE COMPANY (SHAMS)
(A SAUDI JOINT STOCK COMPANY)**

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Opinion

We have audited the financial statements of Tourism Enterprise Company (Shams), a Saudi joint stock company (the "Company"), which comprise the statement of financial position as at 31 December 2025, statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, its financial performance and its 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 Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

The key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on that matter. The following describes the key audit matter and how it was addressed:



**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF
TOURISM ENTERPRISE COMPANY (SHAMS)
(A SAUDI JOINT STOCK COMPANY) (continued)**

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Key Audit Matter (continued)

Key Audit Matter	How our audit addressed the key audit matter
Investment in a real estate fund	
<p>The Company has investment in a real estate fund of approximately $\text{S} 233.7$ million, which has been classified as a financial asset measured at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9 – Financial Instruments.</p> <p>This classification involves significant management judgment in assessing the investment’s nature and whether it meets the criteria for FVOCI classification.</p> <p>Additionally, the determination of fair value requires the use of valuation techniques and key assumptions, particularly when there are no active market prices available.</p> <p>Given the judgment involved in classification and the estimation uncertainty in determining fair value, we considered this a key audit matter.</p> <p>Refer the relevant accounting policy to the financial statements for the accounting policy related to investment and the relevant investment note to the financial statements.</p>	<p>The audit procedures we performed, among others, include the following:</p> <ul style="list-style-type: none"> ➤ Assessed the classification of the investment as FVOCI by reviewing relevant agreements and evaluating whether the investment meets the criteria under IFRS 9. ➤ Verified the existence and valuation of the investment by reviewing the latest available financial statements of the fund and performing the necessary procedures on significant balances of the fund. ➤ Reviewed the fair value determination methodology applied by management and compared it with industry practices. ➤ Assessed the key assumptions used in the valuation model, including discount rates, projected cash flows, and market conditions. ➤ Verified supporting documents related to the investment, including subscription agreements and fund statements. ➤ Reviewed the adequacy of disclosures in the Company’s financial statements to ensure compliance with the relevant IFRS requirements.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TOURISM ENTERPRISE COMPANY (SHAMS)
(A SAUDI JOINT STOCK COMPANY) (continued)**

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Other information

The management is responsible for the other information. Other information consists of the information included in the Company's annual report, other than the financial statements and our auditor's report thereon. The Company's annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Chartered and Professional Accountants and the provisions of Companies' Law and Company's by-law, and for such internal controls as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (the Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditor Responsibilities for the Audit of the Financial Statements

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



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TOURISM ENTERPRISE COMPANY (SHAMS)
(A SAUDI JOINT STOCK COMPANY) (continued)**

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Auditor Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management use of the going concern basis of accounting and based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content to the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the 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 appropriate, we inform them of actions taken to eliminate threats or preventative measures in place.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TOURISM ENTERPRISE COMPANY (SHAMS)
(A SAUDI JOINT STOCK COMPANY) (continued)**

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From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and, accordingly, they are the key audit matters. We describe these matters in our 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 communicating it reasonably outweigh the public interest in doing so.

For Maham Company for Professional Services

Abdulaziz Saud Al Shabeebi
Certified Public Accountant
License no. (339)
Date: 12 Shawwal 1447H
31 March 2026



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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

		2025	2024
		S	S
ASSETS	<i>Notes</i>		
NON CURRENT ASSETS			
Property and equipment	7	5,641,202	6,347,460
Investment properties	8	5,693,521	5,900,466
Investment in a real estate fund	9	233,699,086	240,277,123
Right-of-use asset	10	128,661	247,425
Financial assets at fair value through profit or loss	11	20,049,000	22,707,089
TOTAL NON CURRENT ASSETS		265,211,470	275,479,563
CURRENT ASSETS			
Accounts receivable	12	31,575	1,489,067
Prepayments and other receivables	13	1,331,920	2,298,339
Cash and cash equivalents	14	249,090,314	255,049,804
TOTAL CURRENT ASSETS		250,453,809	258,837,210
TOTAL ASSETS		515,665,279	534,316,773
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	15.1	578,236,230	578,236,230
Reserve	15.2	2,913,121	2,913,121
Accumulated losses		(80,131,544)	(68,314,329)
Fair value reserve	9	(15,708,314)	(9,130,277)
TOTAL SHAREHOLDERS' EQUITY		485,309,493	503,704,745
NON CURRENT LIABILITIES			
Employees defined benefits obligations	16	1,606,139	1,394,014
Lease liability - non-current portion	10	-	115,579
TOTAL NON CURRENT LIABILITIES		1,606,139	1,509,593
CURRENT LIABILITIES			
Accounts payable		344,616	497,905
Accrued expenses and other current liabilities	17	3,882,051	3,738,757
Provision for claims	26	5,618,000	5,690,586
Lease liability - current portion	10	125,238	127,710
Provision for zakat	18	18,779,742	19,047,477
TOTAL CURRENT LIABILITIES		28,749,647	29,102,435
TOTAL LIABILITIES		30,355,786	30,612,028
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		515,665,279	534,316,773

Chief Financial Officer
Mohamed El Hagry



Managing Director and
Chief Executive Officer
Abdullah Omar Al Suwilem



Chairman
Khalid bin Abdulaziz Al Bawardi



The attached notes 1 to 29 form an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 #	2024 #
Revenue	19	9,335,144	9,977,550
Cost of revenue	20	(13,890,305)	(11,844,861)
GROSS LOSS		(4,555,161)	(1,867,311)
EXPENSES			
Sales and marketing	21	(723,131)	(1,141,617)
General and administration	22	(9,069,403)	(9,429,409)
Decrease/(increase) of provision for expected credit losses, net	12 & 13	380,459	(304,467)
LOSS FROM MAIN OPERATIONS		(13,967,236)	(12,742,804)
Other income, net		22,261	6,087
Provision for legal claims		-	(433,624)
Finance income from time deposits	14	14,870,945	30,995,489
Fair value loss on financial assets at fair value through profit or loss	11	(2,658,089)	(1,285,970)
(LOSS)/PROFIT BEFORE ZAKAT		(1,732,119)	16,539,178
Zakat	18	(9,752,513)	(10,171,838)
NET (LOSS)/PROFIT FOR THE YEAR		(11,484,632)	6,367,340
<i>Other comprehensive loss not to be reclassified to income in subsequent periods:</i>			
Fair value loss on investment in a real estate fund	9	(6,578,037)	(9,130,277)
Actuarial loss on employees' defined benefits liabilities	16	(332,583)	(32,114)
OTHER COMPREHENSIVE LOSS		(6,910,620)	(9,162,391)
TOTAL COMPREHENSIVE LOSS		(18,395,252)	(2,795,051)

EARNING PER SHARE

Basic and diluted earning per share from (loss)/profit before zakat for the year attributable to shareholders of the Company	23	(0.03)	0.29
Basic and diluted earning per share from net (loss)/profit for the year attributable to shareholders of the Company	23	(0.20)	0.11

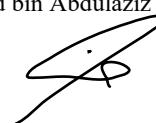
Chief Financial Officer
Mohamed El Hagry



Managing Director and
Chief Executive Officer
Abdullah Omar Al Suwailem



Chairman
Khalid bin Abdulaziz Al Bawardi



The attached notes 1 to 29 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2025

	<i>Share capital</i>	<i>Reserve</i>	<i>Accumulated losses</i>	<i>Fair value reserve</i>	<i>Total</i>
	#	#	#	#	#
As at 1 January 2024	578,236,230	2,913,121	(74,649,555)	-	506,499,796
Net profit for the year	-	-	6,367,340	-	6,367,340
Other comprehensive loss for the year	-	-	(32,114)	(9,130,277)	(9,162,391)
Total comprehensive loss for the year	-	-	6,335,226	(9,130,277)	(2,795,051)
As at 31 December 2024	<u>578,236,230</u>	<u>2,913,121</u>	<u>(68,314,329)</u>	<u>(9,130,277)</u>	<u>503,704,745</u>
As at 1 January 2025	578,236,230	2,913,121	(68,314,329)	(9,130,277)	503,704,745
Net loss for the year	-	-	(11,484,632)	-	(11,484,632)
Other comprehensive loss for the year	-	-	(332,583)	(6,578,037)	(6,910,620)
Total comprehensive loss for the year	-	-	(11,817,215)	(6,578,037)	(18,395,252)
As at 31 December 2025	<u>578,236,230</u>	<u>2,913,121</u>	<u>(80,131,544)</u>	<u>(15,708,314)</u>	<u>485,309,493</u>

Chief Financial Officer
Mohamed El Hagry

Managing Director and
Chief Executive Officer
Abdullah Omar Al Suwailem

Chairman
Khalid bin Abdulaziz Al Bawardi

The attached notes 1 to 29 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025	2024
	S	S
OPERATING ACTIVITIES		
(Loss)/profit before zakat	(1,732,119)	16,539,178
<i>Non-cash adjustments to reconcile (loss)/income before zakat to net cash flows from operating activities</i>		
Depreciation of property and equipment	1,858,357	1,409,102
Depreciation of investment properties	206,945	207,513
Depreciation of right-of-use asset	118,764	108,867
Gain on sale of property and equipment	(22,261)	(6,087)
Fair value loss on financial assets at fair value through profit or loss	2,658,089	1,285,970
(Decrease)/increase of provision for expected credit losses, net	(380,459)	304,467
Finance income from time deposits	(14,870,945)	(30,995,489)
Finance cost on lease liability	9,659	14,707
Finance cost on employees defined benefits	71,360	64,598
Provision for legal claims	-	433,624
Current service cost of employees defined benefits obligation	221,022	231,854
	<u>(11,861,588)</u>	<u>(10,401,696)</u>
<i>Working capital adjustments:</i>		
Accounts receivable	2,199,522	(390,560)
Prepayments and other receivables	1,213,515	1,683,681
Accounts payable	(153,289)	83,359
Provision for legal claims	(72,586)	(1,415,706)
Accrued expenses and other current liabilities	143,294	(1,382,246)
Cash used in operations	<u>(8,531,132)</u>	<u>(11,823,168)</u>
Finance income received	14,262,278	29,987,101
Zakat paid	(10,020,248)	(5,328,730)
Employees' defined benefits paid	<u>(412,840)</u>	<u>(383,221)</u>
Net cash flows (used in)/from operating activities	<u>(4,701,942)</u>	<u>12,451,982</u>
INVESTING ACTIVITIES		
Additions to property and equipment	(1,152,099)	(543,226)
Investment in a real estate fund	-	(249,407,400)
Proceeds from sale of property and equipment	22,261	6,087
Additions to financial assets at fair value through profit or loss	-	(23,993,059)
Net cash flows used in investing activities	<u>(1,129,838)</u>	<u>(273,937,598)</u>
FINANCING ACTIVITY		
Payment of lease liability	(127,710)	(127,710)
Net cash flows used in a financing activity	<u>(127,710)</u>	<u>(127,710)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(5,959,490)</u>	<u>(261,613,326)</u>
Cash and cash equivalents at the beginning of the year	255,049,804	516,663,130
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>249,090,314</u>	<u>255,049,804</u>
NON CASH TRANSACTIONS:		
Reclassification from property and equipment to investment properties	-	6,107,979
Recognition of right-of-use asset against lease liability	-	356,292

Chief Financial Officer
Mohamed El Hagry



Managing Director and
Chief Executive Officer
Abdullah Omar Al Suwailem



Chairman
Khalid bin Abdulaziz Al Bawardi



The attached notes 1 to 29 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

1 ACTIVITIES

Tourism Enterprise Company (Shams) (the “Company”) is a Saudi joint stock company. The Company was established in the Kingdom of Saudi Arabia under Commercial Registration No. 2050021572 issued in the city of Dammam dated 20 Muharram 1412H (corresponding to 1 August 1991G). The Company is listed in the Saudi main market (TASI).

The Company is engaged in managing hotels, furnished residential units, chalets, tourist inns, resorts, wedding halls and events with accommodation, management of tourist accommodation facilities, camps, restaurants, coffee shops, buffets (cafeterias), rental of bicycles, amusement parks, entertainment centers, organization of recreational activities and operation of entertainment facilities.

Currently, the main activity of the Company is to manage tourism project (Palm Beach Resort), which is located on a leased land from the Municipality of Dammam for 40 years from the date of 1 Muharram 1410H (corresponding to 3 August 1989G), ending on 30 Dhul Hijjah 1450H (corresponding to 14 May 2029), without specifying in the contract on the possibility of renewing the lease contract.

The Company had the following branch as at 31 December 2025:

Commercial registration	Issuance date	Location
2052103401	6/7/1443H	Dhahran

The Company conducts its activities in the Kingdom of Saudi Arabia and its offices are located in the city of Dammam, 31482 P.O. Box 8383.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRSs as endorsed in KSA”).

2.2 Basis of measurement

The financial statements have been prepared on a historical cost convention. Except for employees’ defined benefits obligations, that has been measured at the present value of the expected benefits obligation and investment in a real estate fund and financial assets at fair value through profit or loss, that have been measured at fair value.

2.3 Presentation and functional currency

The financial statements are presented in Saudi Riyals (ﷲ), which is also the functional currency of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Current versus non-current classification

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

- it expects to realize the asset, or intends to sell or consume it, in the entity's normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realize the asset within twelve months after the reporting date; or
- the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

The Company shall classify all other assets as non-current. When the Company normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 Current versus non-current classification (continued)

The Company shall classify a liability as current when:

- a) it expects to settle the liability in the entity's normal operating cycle;
- b) it holds the liability primarily for the purpose of trading;
- c) the liability is due to be settled within twelve months after the reporting date; or
- d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company shall classify all other liabilities as non-current.

3.2 Fair value measurement

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

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

The 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 best economic interest.

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.3 Foreign currencies

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.4 Property and equipment

Property and equipment is recognised initially at cost. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of profit or loss during the period in which they are incurred.

After initial recognition property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value is depreciated on straight line basis over the estimated useful life of the assets as follows:

Buildings	5-30 Years
Marina equipment	10-20 Years
Motor vehicles	4 Years
Marina machineries and tools	5-10 Years
Furniture, fixtures and office equipment	4-10 Years
Tools and equipment	5 Years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicates the carrying value may not be recoverable . If any such indication exists and when carrying value exceeds the estimated recoverable amount , the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income, net' in the statement of profit or loss and other comprehensive income.

3.5 Capital work-in-progress

Assets in the course of development are capitalized in the capital work-in-progress ("CWIP") account. The asset under development is transferred to the appropriate category once the asset is in a location and/or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item of CWIP.

3.6 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's (or CGU's) fair value, less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.6 Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company impairment calculation is based on the detailed budget and forecast calculations which are prepared separately for each of the Company CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to projected future cashflows after the budget period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

3.7 Investment properties

Investment properties is property held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and impairment loss, if any. Investment properties are depreciated on a straight-line basis over the estimated useful life of the respective assets.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of derecognition.

Transfers are made from investment properties to property and equipment only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the property at the date of transfer.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

3.8 Cash and cash equivalents

Cash and cash equivalents includes cash deposited with local banks, cash on hand and time deposits.

3.9 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.10 Employees defined benefits obligations

The Company's employee benefits obligations are accounted for as an unfunded defined benefits plan. The liability recognized in the statement of financial position in respect of the defined end-of service benefits plan is the present value of the employee benefits obligation at the reporting date and is measured using the projected unit credit method.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Tourism Enterprise Company (Shams)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 Financial instruments – initial recognition, 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 recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss (FVPL), transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets are subsequently measured at FVPL, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Financial assets at amortized cost

This category is the most relevant to the Company. The Company measures financial assets at amortized cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Company cash and cash equivalents and accounts receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its investment in a real estate fund under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

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 (i.e. removed from the Company statement of financial position) when:

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

Tourism Enterprise Company (Shams)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

IFRS 9 requires the Company to record an allowance for ECLs for all account receivables and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For accounts receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payment are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Company financial liabilities include accounts payable and other current liabilities.

Subsequent measurement

The financial liabilities are subsequently measured at amortized cost.

Derecognition

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

Offsetting of financial instruments

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

Tourism Enterprise Company (Shams)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns and discounts.

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies the performance obligations as specified in the contract with the customer, wherever applicable, by transferring and when it transfers control over the promised service to the customer.

A five-step approach to revenue recognition is applied:

1. Identify the contract(s) with the customer
2. Identify the performance obligations in each contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue as the entity satisfies a performance obligation

Revenue recognized at a point in time comprises income from room rentals and other related services. Revenue recognized over time represents income from the annual rental of showrooms.

3.13 Expenses

Expenses related to operations are allocated on a consistent basis to cost of revenue and selling and marketing. All other expenses are classified as general and administrative expenses. Allocations between expenses is made on consistent basis.

3.14 Zakat and tax

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). A provision for zakat for the Company is charged to the statement of comprehensive income. Differences, if any, at the finalization of assessments are accounted for when such amounts are determined in accordance with the requirements of IAS 8 of IFRSs.

Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Receivables and payables are stated with the amount of value added tax 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 statement of financial position.

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

As per below, several amendments and interpretations apply for the first time in 2025, but do not have an impact on the financial statements of the Company:

- *Amendments to IAS 21 – Lack of exchangeability*

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Below is a summary of the new standards and amendments applicable for annual periods beginning on or after 1 January 2026, with early adoption permitted; however, the Company has not early adopted them in preparing these financial statements. The Company is currently assessing the impact of applying these standards on the financial statements.

- *Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (Effective 1 January 2026)*
- *Annual Improvements to IFRS Accounting Standards – Volume 11 (Effective 1 January 2026)*
- *Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-Dependent Electricity (Effective 1 January 2026)*
- *IFRS 18, 'Presentation and Disclosure in Financial Statements' (Effective 1 January 2027)*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures (Effective 1 January 2027)*
- *Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between investor and its associate or joint venture (No effective date yet decided)*

6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including future expectations.

6.1 Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

6.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit 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 off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is 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.

6.1.2 Contingencies

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

6.1.3 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Tourism Enterprise Company (Shams)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

6.1 Key sources of estimation uncertainty (continued)

6.1.4 Estimated useful lives of property and equipment

The Company's management determines the estimated useful lives of its machinery, equipment and leasehold improvements for calculating depreciation on a straight-line basis over their estimated economic useful lives. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives and residual value of the assets at least once per year and always at the end of each financial year and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

6.1.5 Long-term assumptions for employees' benefits

End-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates and employment turnover. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

6.1.6 Provision for expected credit losses of accounts receivables

The Company uses a provision matrix to calculate ECLs for accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the entertainment sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's accounts receivables is disclosed in accounts receivable note.

6.1.7 Zakat liabilities and open zakat and tax positions for years not yet agreed with ZATCA

The zakat provision presented in the statement of financial position represents the management best estimate for the outstanding obligation for the years which have not yet been agreed with ZATCA. The zakat base has been calculated based in the management understanding of the zakat and tax regulations that are applied in the Kingdom of Saudi Arabia.

The zakat and tax regulations in Saudi Arabia are subject to different interpretations and the assessments that might be raised by ZATCA may differ from the declarations filed by the Company.

Tourism Enterprise Company (Shams)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

6.1 Key sources of estimation uncertainty (continued)

6.1.8 Fair value of investment in real estate fund

The Company holds an equity investment in a real estate fund classified as fair value through other comprehensive income (FVOCI). The investment is measured at fair value based on the Company's proportionate share of the net asset value of the fund.

The fair value measurement is categorised within Level 3 of the fair value hierarchy, as it is based on unobservable inputs, including the valuation of the underlying real estate assets held by the fund. These valuations are typically performed using income-based approaches, including discounted cash flow models, and are sensitive to key assumptions such as discount rates, capitalisation rates, expected rental income, occupancy levels and terminal values.

Management determines the fair value of the investment using the most recent financial information available from the fund, including net asset value statements and underlying valuation reports where available. Due to the timing of the fund's financial reporting and audit process, such information may be based on draft or unaudited data at the reporting date and is subject to subsequent refinement.

The valuation of the investment involves significant judgment and estimation uncertainty. Changes in the underlying assumptions could result in a material adjustment to the carrying amount of the investment. Management performs periodic assessments of the reasonableness of the valuation by considering market conditions, comparable transactions and available external evidence.

Given the significance of this investment to the Company's financial position and performance, management has applied enhanced governance procedures over the valuation process, including review of key assumptions and evaluation of information received from the fund manager.

A reasonably possible change in key unobservable inputs, in isolation, could result in a material change in the fair value of the investment and the related amount recognised in other comprehensive income.

6.2 Judgements

6.2.1 Determining the lease term of contracts with renewal and termination options

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

7 PROPERTY AND EQUIPMENT

	<i>Plot of land</i>	<i>Buildings</i>	<i>Marina equipment</i>	<i>Motor vehicles</i>	<i>Marina machineries and tools</i>	<i>Furniture, fixtures and office equipment</i>	<i>Tools and equipment</i>	<i>Capital work-in-progress</i>	<i>Total</i>
	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ	ﷲ
<i>Cost:</i>									
At 1 January 2024	3,000,000	129,375,679	5,857,392	2,152,622	1,103,264	17,597,828	968,146	4,736,946	164,791,877
Additions	-	201,349	52,174	-	-	289,703	-	-	543,226
Disposals	-	-	-	(88,150)	-	-	-	-	(88,150)
Transfers	-	-	-	-	-	-	1,970,590	(1,970,590)	-
Reclassified to investment properties	(3,000,000)	(6,917,106)	-	-	-	(394,929)	-	-	(10,312,035)
At 31 December 2024	-	122,659,922	5,909,566	2,064,472	1,103,264	17,492,602	2,938,736	2,766,356	154,934,918
Additions	-	904,933	-	-	-	223,995	3,673	19,498	1,152,099
Disposals	-	-	-	(198,699)	-	-	-	-	(198,699)
Transfers	-	(104,500)	-	-	-	104,500	-	-	-
At 31 December 2025	-	123,460,355	5,909,566	1,865,773	1,103,264	17,821,097	2,942,409	2,785,854	155,888,318
<i>Depreciation and impairment:</i>									
At 1 January 2024	-	123,341,876	5,857,392	2,097,106	1,103,264	15,375,137	929,431	2,766,356	151,470,562
Charge for the year	-	652,613	7,004	31,174	-	573,385	144,926	-	1,409,102
Disposals	-	-	-	(88,150)	-	-	-	-	(88,150)
Reclassified to investment properties	-	(3,809,155)	-	-	-	(394,901)	-	-	(4,204,056)
At 31 December 2024	-	120,185,334	5,864,396	2,040,130	1,103,264	15,553,621	1,074,357	2,766,356	148,587,458
Charge for the year	-	748,945	10,406	24,236	-	1,062,060	12,710	-	1,858,357
Disposals	-	-	-	(198,699)	-	-	-	-	(198,699)
Transfers	-	(99,790)	-	-	-	99,790	-	-	-
At 31 December 2025	-	120,834,489	5,874,802	1,865,667	1,103,264	16,715,471	1,087,067	2,766,356	150,247,116
<i>Net book amounts:</i>									
At 31 December 2025	-	2,625,866	34,764	106	-	1,105,626	1,855,342	19,498	5,641,202
At 31 December 2024	-	2,474,588	45,170	24,342	-	1,938,981	1,864,379	-	6,347,460

Tourism Enterprise Company (Shams)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

7 PROPERTY AND EQUIPMENT (continued)

7.1 Allocation of depreciation charge in the statement of comprehensive income is as follows:

	2025	2024
	#	#
Cost of revenue	1,823,623	1,289,448
General and administrative expenses	34,734	119,654
	<u>1,858,357</u>	<u>1,409,102</u>

7.2 Impairment of property and equipment

During the year 2023, and as per the requirements of IAS 36, which requires the Company to perform an impairment indicator assessment of property and equipment, by reviewing the carrying amounts of its property and equipment to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

As a result, the management carried out an impairment test for the Palm Beach Resort in the Eastern Province, which is considered as one cash generating unit during the reporting year ended December 31, 2023, as events and changes in circumstances indicated that the carrying amount of this cash generating units (“CGU”) may not be recoverable, for which management has considered both internal and external information for indicators of impairment. Management used the discounted cash flow model to determine the recoverable amount of the CGU. Management determines that the recoverable amount of the CGU is its value in use. Management used a discount rate of 11.2% with no terminal growth rate in estimating the value in use. It was concluded that the recoverable amount was lower than the carrying value for the CGU and as a result the Company recorded an impairment loss of approximately # 38.8 million during the year 2023. The management has updated the impairment test for the Palm Beach Resort at 31 December 2025 and concluded that no further impairment is required.

8 INVESTMENT PROPERTIES

	Land	Buildings	Furniture, fixtures and office equipment	Total
	#	#	#	#
<i>Cost:</i>				
Reclassified from property and equipment	3,000,000	6,917,106	394,929	10,312,035
At 31 December 2024	3,000,000	6,917,106	394,929	10,312,035
At 31 December 2025	3,000,000	6,917,106	394,929	10,312,035
<i>Accumulated depreciation:</i>				
Reclassified from property and equipment	-	3,809,155	394,901	4,204,056
Charge for the year	-	207,513	-	207,513
At 31 December 2024	-	4,016,668	394,901	4,411,569
Charge for the year	-	206,945	-	206,945
At 31 December 2025	-	4,223,613	394,901	4,618,514
<i>Net book amounts:</i>				
At 31 December 2025	3,000,000	2,693,493	28	5,693,521
At 31 December 2024	3,000,000	2,900,438	28	5,900,466

Depreciation of investments properties have been charged to the statement of profit or loss and other comprehensive income under general and administrative expenses (2024: same).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

8 INVESTMENT PROPERTIES (continued)

Investment properties represent an owned plot of land and building located in Al Khobar, Kingdom of Saudi Arabia. Investment properties are carried at cost less accumulated depreciation and accumulated impairment, if any. The fair value of the investment properties amounted to ₪ 10,269,089 as at 31 December 2025 (₪ 9,804,000 as at 31 December 2024) based on valuation performed by an independent valuer licensed to perform property valuation by the Saudi Authority of Accredited Valuers (TAQEEM). The valuation exercises were carried out by the following valuers:

<u>Name of valuer</u>	<u>License number</u>	<u>Valuation date</u>
Emad Ali Aldulajjan Real Estate Evaluation Company	1210000616	31 December 2025
Qiam Valuation	1210000052	31 December 2024

To determine the fair value of the properties, the valuer used net income method whereby the market rentals of all lettable properties are assessed by reference to the rentals achieved for the same properties as well as similar properties in the neighbourhood. The capitalization rate is adopted by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

9 INVESTMENT IN A REAL ESTATE FUND

During 2024, the Company invested ₪ 243,800,000 in a closed private equity fund ("the Fund") licensed by the Capital Market Authority and managed by SEDCO Capital ("Fund Manager"). This fund is dedicated to developing a five-star hotel along the Al Khobar corniche, to be operated under the "Fairmont" brand. The Company owns 2,438 units at a price of ₪ 100,000 per unit. The transaction costs incurred on this transaction amounting to ₪ 5.6 million has been included in the investment carrying value. The investment is measured at fair value through other comprehensive income (FVOCI).

	<i>2025</i>	<i>2024</i>
	<i>₪</i>	<i>₪</i>
At the beginning of the year	240,277,123	-
Additions during the year	-	243,800,000
Transaction costs incurred	-	5,607,400
Fair value loss during the year	(6,578,037)	(9,130,277)
At the end of the year	<u>233,699,086</u>	<u>240,277,123</u>

The current year's valuation adjustment included SAR 6.4 million related to change in accounting estimates with respect to the fair value as at 31 December 2024. The fair value of this Level 3 investment at the prior reporting date was determined using the best available information at that time, including draft financial information. The updated valuation reflects changes in estimates based on new information obtained after the reporting date.

Accordingly, the impact has been recognized prospectively in the current period, with no restatement of prior year amounts.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

10 RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has lease contract for the office premises used in its operations. The lease agreement is for a term of 3 years.

	<i>Right-of-use asset</i>	<i>Lease liability</i>
	<i>ﷲ</i>	<i>ﷲ</i>
At 1 January 2024	-	-
Additions	356,292	356,292
Depreciation	(108,867)	-
Accretion of interest	-	14,707
Payments	-	(127,710)
At 31 December 2024	<u>247,425</u>	<u>243,289</u>
Depreciation	(118,764)	-
Accretion of interest	-	9,659
Payments	-	(127,710)
At 31 December 2025	<u>128,661</u>	<u>125,238</u>

The depreciation charge for the right-of-use asset for the year ended 31 December 2025 has been allocated to general and administrative expenses (2024: same)

Lease liability is allocated into current and non-current, based on the maturity of the lease agreements, as follows:

	<i>2025</i>	<i>2024</i>
	<i>ﷲ</i>	<i>ﷲ</i>
Non-current liability	-	115,579
Current liability	<u>125,238</u>	<u>127,710</u>
	<u>125,238</u>	<u>243,289</u>

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company classifies those equity investments at FVTPL for which it has not elected to recognize fair value gains and losses through other comprehensive income at initial recognition. As at 31 December 2025, FVTPL investments consist of a portfolio managed by a local investment bank composed of quoted shares. The movement in FVTPL investments is set out as follows:

	<i>2025</i>	<i>2024</i>
	<i>ﷲ</i>	<i>ﷲ</i>
At the beginning of the year	22,707,089	-
Additions during the year	-	23,993,059
Fair value loss during the year	(2,658,089)	(1,285,970)
At the end of the year	<u>20,049,000</u>	<u>22,707,089</u>

12 ACCOUNTS RECEIVABLE

	<i>2025</i>	<i>2024</i>
	<i>ﷲ</i>	<i>ﷲ</i>
Accounts receivable	6,542,651	8,742,173
Less: allowance for expected credit losses	(6,511,076)	(7,253,106)
	<u>31,575</u>	<u>1,489,067</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

12 ACCOUNTS RECEIVABLE (continued)

Movement in allowance for expected credit losses are as follows:

	2025	2024
	#	#
At the beginning of the year	7,253,106	6,981,436
(Decrease)/increase in allowance for expected credit losses	(742,030)	304,467
Write-off	-	(32,797)
At the end of the year	<u>6,511,076</u>	<u>7,253,106</u>

13 PREPAYMENTS AND OTHER RECEIVABLES

	2025	2024
	#	#
Advances to suppliers	1,879,439	1,733,721
Accrued interest income	608,667	1,008,388
Prepayments	385,770	502,945
Receivables from operators	361,571	568,431
VAT receivable	-	31,314
Other debit balances	129,172	124,668
	<u>3,364,619</u>	<u>3,969,467</u>
Less: provision for advances to suppliers and receivables from operators	<u>(2,032,699)</u>	<u>(1,671,128)</u>
	<u>1,331,920</u>	<u>2,298,339</u>

Movement in provision for advances to suppliers and receivables from operators are as follows:

	2025	2024
	#	#
At the beginning of the year	1,671,128	1,671,128
Provision provided during the year	361,571	-
At the end of the year	<u>2,032,699</u>	<u>1,671,128</u>

14 CASH AND CASH EQUIVALENTS

	2025	2024
	#	#
Time deposits	249,000,000	252,000,000
Bank balances	89,314	3,039,910
Cash in hand	1,000	9,894
	<u>249,090,314</u>	<u>255,049,804</u>

Bank balances represent cash held with local banks and are denominated mainly in Saudi Riyals. Time deposits earn interest income at an average rate of 5.9% and are renewed on average period of 65 days (2024: earn interest income at an average rate of 6% and are renewed on average period of 70 days).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

15 SHARE CAPITAL AND RESERVE

15.1 Share capital

The share capital of the Company is divided into 57,823,623 ordinary shares with a nominal value of ﷲ 10 each as at 31 December 2025 (31 December 2024: 1,156,472,460 shares with a nominal value of ﷲ 0.5).

On 2 Safar 1447 (corresponding to 27 July 2025), the Board of Directors recommended to the Extraordinary General Assembly to change the nominal value of the Company's shares from ﷲ 0.5 per share to ﷲ 10 per share. On 24 Rabi' II 1447 (corresponding to 16 October 2025), the Extraordinary General Assembly approved the change in nominal value and consequently, the number of shares has been adjusted from 1,156,472,460 shares to 57,823,623 shares.

15.2 Reserve

During the year 2023, the Company amended its by-laws to comply with the new Companies Regulations requirements issued by Royal Decree M/132 dated 30 June 2022 and consequently, the Company is no longer required to appropriate statutory reserve and accordingly, the reserve appropriated during the prior years will be subject to shareholders resolution in the future, either to keep it as a general reserve, or transfer it back to retained earnings.

16 EMPLOYEES DEFINED BENEFITS OBLIGATIONS

The management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2025 and 31 December 2024 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The following tables summarises the components of net benefit expense recognized in the statement of comprehensive income and balances reported in the statement of financial position:

	2025	2024
	ﷲ	ﷲ
Reconciliation of present value of liability		
End of service liability at the beginning of the year	1,394,014	1,448,669
Current service costs	221,022	231,854
Finance costs	71,360	64,598
Benefits paid during the year	(412,840)	(383,221)
Actuarial loss	332,583	32,114
At end of the year	<u>1,606,139</u>	<u>1,394,014</u>

The significant assumptions used in determining employees' end of service liability are shown below:

	2025	2024
Discount rate	4.20%	5.50%
Future salary increment rate	3.00%	3.00%

Sensitivity analysis

	31 December 2025		31 December 2024	
	PVDBL - ﷲ	% Change	PVDBL - ﷲ	% Change
+ 1% discount rate	1,499,789	-7%	1,310,831	-6%
- 1% discount rate	1,730,024	8%	1,489,386	7%
+ 1% salary increase	1,738,003	8%	1,497,541	7%
-1% salary decrease	1,491,036	-7%	1,302,345	-7%

PVDBL: Present Value of Defined Benefits Liability

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

17 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2025	2024
	#	#
Accrued expenses	1,334,148	873,528
Accrued board of directors remunerations	1,225,580	1,568,826
Payable to unsubscribed shares	939,134	939,134
Dividends payable	180,003	180,003
Advances from customers	63,353	145,627
Other credit balances	139,833	31,639
	<u>3,882,051</u>	<u>3,738,757</u>

18 ZAKAT

18.1 Charge for the year

	2025	2024
	#	#
Current year provision	9,752,513	10,026,071
Charge related to prior years	-	145,767
Charge for the year	<u>9,752,513</u>	<u>10,171,838</u>

18.2 Components of zakat base

	2025	2024
	#	#
Total equity and liabilities and its equivalents	511,313,374	530,132,404
Long-term assets and its equivalents	<u>(265,211,470)</u>	<u>(275,479,563)</u>
Gross zakat base	<u>246,101,904</u>	<u>254,652,841</u>
Net zakat base	<u>246,101,904</u>	<u>254,652,841</u>

Zakat is calculated at the rate of 2.578% of the zakat base (2024: at the rate of 2.5847% of the zakat base).

18.3 Movement in zakat provision

	2025	2024
	#	#
At the beginning of the year	19,047,477	14,204,369
Charge for the year	9,752,513	10,171,838
Paid during the year	<u>(10,020,248)</u>	<u>(5,328,730)</u>
At the end of the year	<u>18,779,742</u>	<u>19,047,477</u>

18.4 Status of assessments

During 2024, the Company received zakat assessments from ZATCA for the years 2021 and 2022 claiming additional zakat liability amounting to # 481,126 and # 82,372, respectively. The Company filed an appeal against the liability during the statutory period. During the year, ZATCA revised the zakat liability to # 110,287 and # 35,480 for the years 2021 and 2022, respectively. The revised liabilities were accepted and paid by the Company.

The Company has submitted its zakat returns for all years from inception up to the year ended 31 December 2024 and obtained the required certificates.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

19 REVENUE

Set out below is the disaggregation of the Company's revenue:

	2025	2024
	#	#
Type of services		
Revenue from rooms	5,791,446	5,510,088
Revenue from food and beverages	1,061,641	446,029
Challet rent and other revenue	2,482,057	4,021,433
	<u>9,335,144</u>	<u>9,977,550</u>
Geographical markets		
Saudi Arabia	<u>9,335,144</u>	<u>9,977,550</u>
Timing of revenue recognition		
Recognised at a point in-time	9,080,144	9,531,521
Recognised over time	255,000	446,029
Total revenue	<u>9,335,144</u>	<u>9,977,550</u>

20 COST OF REVENUE

	2025	2024
	#	#
Employee costs	7,363,239	6,085,166
Depreciation of property and equipment	1,823,623	1,289,448
Electricity and water	1,093,600	1,051,355
Cost of food and beverages	742,560	359,270
Maintenance	724,102	1,358,517
Security guard services	523,700	528,000
Telephone & communication	433,454	350,544
Cleaning supplies	227,962	232,067
Government fees and penalties	263,404	4,500
Vehicles expenses	114,294	142,872
Professional fees	106,087	209,457
Operating equipment	96,788	-
Lawyer collection commissions	73,750	-
Banquet expenses	65,300	-
Bank charges	44,769	36,703
Reservation commissions	39,788	121,598
Hospitality	30,613	14,650
Others	123,272	60,714
	<u>13,890,305</u>	<u>11,844,861</u>

21 SALES AND MARKETING EXPENSES

	2025	2024
	#	#
Employee costs	533,953	610,372
Events and advertising	187,627	167,334
Others	1,551	363,911
	<u>723,131</u>	<u>1,141,617</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2025	2024
	#	#
Employee costs	4,852,173	4,333,219
Board of directors remunerations	2,444,000	3,180,956
Tadawul enlisting fees	510,580	501,687
Legal fees and cases	350,427	482,548
Professional fees	319,073	290,000
Depreciation of investment property	206,945	207,513
Bank charges related to reverse share split	143,750	-
Depreciation of right-of-use asset	118,764	108,867
Depreciation of property and equipment	34,734	119,654
Vehicles expenses	23,395	67,665
Government fees	20,025	44,234
Telephone & communication	13,989	8,300
Others	31,548	84,766
	<u>9,069,403</u>	<u>9,429,409</u>

23 EARNINGS PER SHARE

Basic and diluted earnings per share (EPS) is calculated by dividing the net (loss)/profit for the year attributable to equity holder of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the (loss)/profit and ordinary shares outstanding data used in the basic and diluted (loss)/profit per share calculation of the shareholders of the Company:

	2025	2024
	#	#
(Loss)/profit before Zakat attributable to equity holders of the Company	(1,732,119)	16,539,178
Net (loss)/profit attributable to equity holders of the Company	(11,484,632)	6,367,340
Weighted average number of ordinary shares outstanding	57,823,623	57,823,623
Basic and diluted earning per share from (loss)/profit before zakat for the year	<u>(0.03)</u>	<u>0.29</u>
Basic and diluted earning per share from net (loss)/profit for the year	<u>(0.20)</u>	<u>0.11</u>

The weighted average number of shares outstanding have been adjusted to reflect the reverse share split that took place during the year (note 15) and consequently, earnings per share for the current and comparative periods have been adjusted as required by the relevant accounting standards (IAS 33).

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

24.1 Accrued board of directors remunerations presented under accrued expenses and other current liabilities comprise of the following:

	2025	2024
	#	#
Board of directors	<u>1,225,580</u>	<u>1,568,826</u>

24.2 The significant related party transactions are as follows:

	2025	2024
	#	#
Salaries and allowances of executives	3,525,850	2,586,390
Board of directors remunerations	<u>2,444,000</u>	<u>3,180,956</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

25 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk.

Financial instruments by categories

	2025	2024
	#	#
Financial assets measured at amortized cost		
Accounts receivable	6,542,651	8,742,173
Cash and cash equivalents	249,089,314	255,039,910
Other receivables	1,485,180	2,235,746
Total financial assets measured at amortized cost	257,117,145	266,017,829
	2025	2024
	#	#
Financial assets measured at fair value		
Investment in a real estate fund	233,699,086	240,277,123
Financial assets at fair value through profit or loss	20,049,000	22,707,089
Total financial assets measured at amortized cost	253,748,086	262,984,212
	2025	2024
	#	#
Financial liabilities measured at amortized cost		
Accounts payable	344,616	497,905
Accrued expenses and other current liabilities	3,818,698	3,593,130
Lease liability	125,238	243,289
Total financial liabilities measured at amortized cost	4,288,552	4,334,324

The main financial risks arising from the Company's financial instruments are market risk, liquidity and credit risk. Management reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates, commodity risk and equity price risk may affect the Company's income. The Company is exposed to market risk, in the form of interest rate risk and foreign currency risk as described below, during the year under review. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

Currency risk

Currency risk is the risk of changes in the value of financial instruments due to changes in foreign exchange rates. Most of the Company's transactions are in Saudi Riyals, the management monitors changes in currency exchange rates and management believes that the currency risk is not material to the Company.

Consequently, no foreign currency sensitivity analysis has been presented.

Interest rate risk

Interest rate risk represents the risk that the fair value of future cash flow of financial instruments will fluctuate due to the change in of the market interest rates. The Company's exposure to the risk of changes in market interest rates relate preliminary to the Company's short-term deposits. The Company manages its exposure to interest rate risks by continually monitoring movement in interest rates.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

25 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of the assets or liability outstanding at the end of the reporting period and was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in commission rates.

	Increase/decrease in basis points of commission rates	Effect on income/(expense) for the year
31 December 2025	+50	74,355
	-50	(74,355)
31 December 2024	+50	154,977
	-50	(154,977)

Commodity risk

The Company is exposed to the impact of market fluctuations of the price of different products to be used in the operations. The Company prepares annual budgets including sensitivity analyses in respect of various prices levels of such materials to manage the risk.

Equity price risk

The Company is exposed to market risk in respect of its investment in a real estate fund classified as fair value through other comprehensive income. The fair value of this investment is influenced by market conditions affecting the underlying real estate assets, including changes in rental yields, occupancy levels and discount rates.

Given the nature of the investment, the fair value is subject to estimation uncertainty and may be affected by changes in unobservable inputs. The Company manages this risk through ongoing monitoring of the performance of the fund and review of valuation information provided by the fund manager.

Liquidity risk

Liquidity risk is the risk that an entity will encounter the necessary liquidity to meet its obligations associated with financial liabilities. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring periodically that sufficient liquidity is available to meet any obligations as they arise.

Contractual maturity analysis for financial liabilities

The following table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables represent undiscounted cash flows:

	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
	S	S	S	S
31 December 2025				
Accounts payable	344,616	-	-	344,616
Accrued expenses and other credit balances	3,818,698	-	-	3,818,698
Employees defined benefits obligations	305,248	606,826	1,385,044	2,297,118
Lease liability	127,710	-	-	127,710
	<u>4,596,272</u>	<u>606,826</u>	<u>1,385,044</u>	<u>6,588,142</u>

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25 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

31 December 2024	Less than 1 year #	More than 1 year but less than 5 years #	More than 5 years #	Total #
Accounts payable	497,905	-	-	497,905
Accrued expenses and other credit balances	3,593,130	-	-	3,593,130
Employees defined benefits obligations	193,120	736,599	1,223,320	2,153,039
Lease liability	127,710	127,710	-	255,420
	<u>4,411,865</u>	<u>864,309</u>	<u>1,223,320</u>	<u>6,499,494</u>

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its cash and cash equivalents and accounts receivable.

The maximum exposure to credit risk at the reporting date was as follows:

<u>Description</u>	2025 #	2024 #
Cash and cash equivalents	249,089,314	255,039,910
Accounts receivable	6,542,651	8,742,173

The following table represents information that provide information on the exposure of the Company to the credit risk and ECL for accounts receivable for customers:

31 December 2025	Gross carrying amount	Weighted average loss	Loss allowance (%)
0 - 30 days	31,575	-	0.00%
31 - 60 days	3,742	3,742	100.00%
61 - 90 days	-	-	0.00%
91 - 120 days	-	-	0.00%
121 - 180 days	-	-	0.00%
181 - 240 days	-	-	0.00%
241 - 360 days	-	-	0.00%
More than 360 days	6,507,334	6,507,334	100.00%
	<u>6,542,651</u>	<u>6,511,076</u>	

31 December 2024	Gross carrying amount	Weighted average loss	Loss allowance (%)
0 - 30 days	298,991	14,705	4.92%
31 - 60 days	85,426	4,293	5.03%
61 - 90 days	42,713	6,757	15.82%
91 - 120 days	260,351	89,413	34.34%
121 - 180 days	260,351	130,255	50.03%
181 - 240 days	516,461	309,358	59.90%
241 - 360 days	636,085	412,823	64.90%
More than 360 days	<u>6,641,795</u>	<u>6,285,502</u>	<u>94.64%</u>
	<u><u>8,742,173</u></u>	<u><u>7,253,106</u></u>	

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

25 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Capital management

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to the shareholders through the optimization of the equity balance. The Company's overall strategy remains unchanged from the previous year. The capital structure of the Company consists of equity comprising capital, the reserve and accumulated losses. The Company is not subject to any externally imposed capital requirements.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The five largest customers account approximately for 38% of outstanding accounts receivable at 31 December 2025 (31 December 2024: 31%).

Furthermore, all of the Company's operations are derived from its sole resort located in the Eastern Province of Saudi Arabia, which is considered as geographical concentration of risk.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction and the same conditions of dealing with other parties. As the accompanying financial statements are prepared under the historical cost method difference may arise between the book values and the fair value estimates.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between Levels 1, 2 or 3 during the years ended 31 December 2025 and 31 December 2024.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

	Carrying value	Fair value measurement using		
		Level 1	Level 2	Level 3
31 December 2025	ﷲ	ﷲ	ﷲ	ﷲ
Investment in a real estate fund	233,699,086	-	-	233,699,086
Financial assets at fair value through profit or loss	20,049,000	20,049,000	-	-
	253,748,086	20,049,000	-	233,699,086
		Fair value measurement using		
	Carrying value	Level 1	Level 2	Level 3
31 December 2024	ﷲ	ﷲ	ﷲ	ﷲ
Investment in a real estate fund	240,277,123	-	-	240,277,123
Financial assets at fair value through profit or loss	22,707,089	22,707,089	-	-
	262,984,212	22,707,089	-	240,277,123

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

26 CONTINGENCIES AND COMMITMENTS

The Company has various legal cases raised by various parties on the Company. The management believes that there is no significant exposure on the Company to incur additional losses as a result of the resolution of these cases beyond the provisions booked already by the Company in the past.

27 RECLASSIFICATION

Certain items in the statement of profit or loss and other comprehensive income have been reclassified for better presentation purposes, which do not have any impact on the retained earnings nor on the net profit or earnings per share for the comparative period.

The following table presents the impact of the reclassification on the statement of profit or loss and other comprehensive income ended on 31 December 2024:

	<i>Previously reported</i>	<i>Reclassification</i>	<i>Reclassified</i>
	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>
Revenue	9,977,550	-	9,977,550
Cost of revenue	(8,914,256)	(2,930,605)	(11,844,861)
GROSS PROFIT (LOSS)	1,063,294	(2,930,605)	(1,867,311)
EXPENSES			
Sales and marketing	(1,759,794)	618,177	(1,141,617)
General and administration	(11,741,837)	2,312,428	(9,429,409)
Provision for expected credit losses	(304,467)	-	(304,467)
LOSS FROM MAIN OPERATIONS	(12,742,804)	-	(12,742,804)
Other income, net	6,087	-	6,087
Provision for legal claims	(433,624)	-	(433,624)
Finance income from time deposits	30,995,489	-	30,995,489
Fair value loss on financial assets at fair value through profit or loss	(1,285,970)	-	(1,285,970)
PROFIT BEFORE ZAKAT	16,539,178	-	16,539,178
Zakat	(10,171,838)	-	(10,171,838)
NET PROFIT FOR THE YEAR	6,367,340	-	6,367,340
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>			
Fair value loss on investment in a real estate fund	(9,130,277)	-	(9,130,277)
Remeasurement losses on employee benefits obligations	(32,114)	-	(32,114)
TOTAL COMPREHENSIVE INCOME	(2,795,051)	-	(2,795,051)

Tourism Enterprise Company (Shams)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

28 SUBSEQUENT EVENTS

Subsequent to 31 December 2025, the region has experienced certain geopolitical developments that may have implications for the overall economic environment, including the tourism and hospitality sector.

Management continues to monitor these developments and assess their potential impact on the Company's operations and investments, including its investments in a real estate fund and other financial investments.

Except for the above, in the opinion of management, there have been no other significant subsequent events since the year ended 31 December 2025 that would have a material impact on the financial position of the Company as reflected in these financial statements.

29 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issuance by the board of directors on 12 Shawwal 1447H (corresponding to 31 March 2026).