

**Abdulmohsen Al-Hokair Group for  
Tourism and Development Company  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

Abdulmohsen Al-Hokair Group for Tourism and Development Company  
(A Saudi Joint Stock Company)

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CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company  
(A Saudi Arabian Joint Stock Company)**

### **Opinion**

We have audited the consolidated financial statements of Abdulmohsen Alhokair Tourism and Development Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

As indicated in note 2 to the consolidated financial statements, the Group incurred a net loss of SR 171.58 million during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets, resulting in a negative working capital of SR 190.52 million. These conditions indicate that a material uncertainty exists that may cast a doubt on the Group's ability to continue as a going concern. As stated in note 2, the management has made an assessment of the Group's ability to continue as a going concern, and as result, these consolidated financial statements have been prepared by management on a going concern basis. As further detailed in note 2, this assessment is dependent mainly on the Group's ability to meet its business plan and operational forecast for 2022 and its ability to use the unutilized bank facilities and obtain additional bank loans. Our conclusion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

## INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company  
(A Saudi Arabian Joint Stock Company)

### Key Audit Matters (continued)

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<b><i>Impairment of property and equipment</i></b>	
<p>As at 31 December 2021, the Group's consolidated statement of financial position includes property and equipment amounting to SR 885.09 million. As part of its impairment assessment, the management has identified impairment indicators that relate to decline in operating income and cashflows for certain assets. Accordingly, management has carried out an exercise to determine the recoverable amount of certain Cash Generating Units ("CGU"). As a result, it was noted that the recoverable amounts of those CGUs of selected hotels and entertainment centers were lower than the carrying value. Accordingly, the Company has recorded an impairment loss of SR 30.71 million relating to property and equipment for the year ended 31 December 2021.</p> <p>We identified the impairment of property and equipment as a key audit matter, as the impairment assessment involves a significant degree of management judgement in determining the key assumptions of recoverable amounts; such as; projected revenue, projected costs, growth rates, discount rate, etc.</p> <p>Refer to the consolidated financial statements note 3.3 for the significant accounting policy relating to impairment of non-current assets, note 4 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 6.1 for property and equipment related disclosures.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• Reviewed the management's process in identifying impairment indicators for property and equipment;</li> <li>• Evaluated the reasonableness of management's assumptions and estimates in determining the recoverable amounts of the Group's CGUs, including those relating to projected revenue, projected costs, growth rates discount rate, etc. This included involvement of our internal specialists in evaluating these assumptions against external benchmarks and knowledge of the Group and its industry;</li> <li>• Validated the mathematical accuracy of impairment models and agreed relevant data to the latest business plans and budgets; and</li> <li>• Assessed the adequacy of the Group's disclosures in respect of underlying assumptions, estimates used to determine carrying values and impairment losses of the respective CGUs.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT (continued)**

**To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company  
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**Other information included in the Group's 2021 Annual Report**

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

**INDEPENDENT AUDITOR'S REPORT (continued)**

**To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company  
(A Saudi Arabian Joint Stock Company)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**INDEPENDENT AUDITOR'S REPORT (continued)**

**To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company  
(A Saudi Arabian Joint Stock Company)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

for Ernst & Young  
Professional Services



Saad M. Al-Khathlan  
Certified Public Accountant  
License No. (509)



Riyadh: 3 Ramadhan 1443H  
4 April 2022

Abdulmohsen Al-Hokair Group for Tourism and Development Company  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 SR '000	2020 SR '000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments in joint ventures	5	101,233	107,183
Property, equipment and projects under construction	6	892,774	1,078,295
Right of use assets	7	745,458	774,837
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,739,465</b>	<b>1,960,315</b>
<b>CURRENT ASSETS</b>			
Cash and bank balances	8	171,461	67,774
Trade receivables	9	88,195	55,598
Prepayments and other current assets	10	63,787	98,641
Inventories	11	18,486	22,979
<b>TOTAL CURRENT ASSETS</b>		<b>341,929</b>	<b>244,992</b>
<b>TOTAL ASSETS</b>		<b>2,081,394</b>	<b>2,205,307</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	650,000	550,000
Other reserves	13	171	(242)
Accumulated losses		(272,291)	(302,334)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>377,880</b>	<b>247,424</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current portion of long term loans	14	366,721	392,406
Non-current portion of lease liabilities	15	754,020	737,826
Employees' terminal benefits liabilities	16	50,320	49,335
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,171,061</b>	<b>1,179,567</b>
<b>CURRENT LIABILITIES</b>			
Trade payables and other current liabilities	17	239,933	226,738
Short term loans and current portion of long term loans	14	187,526	310,412
Current portion of lease liabilities	15	98,134	227,624
Provision for zakat	18	6,860	13,542
<b>TOTAL CURRENT LIABILITIES</b>		<b>532,453</b>	<b>778,316</b>
<b>TOTAL LIABILITIES</b>		<b>1,703,514</b>	<b>1,957,883</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2,081,394</b>	<b>2,205,307</b>

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

Abdulmohsen Al-Hokair Group for Tourism and Development Company  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 SR '000	2020 SR '000
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>			
- Hotels	20	381,891	395,322
- Entertainment	20	287,468	183,103
- Others	20	39,058	34,683
<b>TOTAL REVENUES</b>		<b>708,417</b>	<b>613,108</b>
<b>DIRECT COSTS</b>			
- Hotels		(336,099)	(308,282)
- Entertainment		(230,370)	(222,677)
- Others		(37,342)	(36,187)
<b>TOTAL DIRECT COSTS</b>		<b>(603,811)</b>	<b>(567,146)</b>
<b>GROSS PROFIT</b>		<b>104,606</b>	<b>45,962</b>
<b>EXPENSES</b>			
Selling and marketing expenses	21	(27,067)	(27,621)
General and administrative expenses	22	(163,625)	(177,677)
<b>TOTAL EXPENSES</b>		<b>(190,692)</b>	<b>(205,298)</b>
<b>OPERATING LOSS</b>		<b>(86,086)</b>	<b>(159,336)</b>
Financial charges on loans		(20,740)	(30,108)
Financial charges on lease liabilities	15	(40,219)	(59,105)
Gain from lease modification	7&15	-	76,884
Share in net results of joint ventures	5.1	(6,444)	(3,735)
Other expenses, net	23	(16,891)	(25,999)
<b>LOSS BEFORE ZAKAT</b>		<b>(170,380)</b>	<b>(201,399)</b>
Zakat (provision)/reversal	18.1	(1,195)	1,243
<b>NET LOSS FOR THE YEAR</b>		<b>(171,575)</b>	<b>(200,156)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to consolidated income during the subsequent periods:</b>			
Actuarial gains on employees' terminal benefits	16.4	416	7,669
<b>Items that will be reclassified to the consolidated statement of comprehensive income during the subsequent periods:</b>			
Exchange differences on translation of foreign operations	13	(3)	98
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>413</b>	<b>7,767</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(171,162)</b>	<b>(192,389)</b>
<b>LOSS PER SHARE:</b>			
Basic and diluted loss per share (SR)	24	(2.93)	(3.64)

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

Abdulmohsen Al-Hokair Group for Tourism and Development Company  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

	Share capital SR '000	Other reserves SR '000	Accumulated losses SR '000	Total shareholders' equity SR '000
<b><u>For the year ended 31 December 2021</u></b>				
At the beginning of the year	550,000	(242)	(302,334)	247,424
Net loss for the year	-	-	(171,575)	(171,575)
Other comprehensive income for the year (note 13)	-	413	-	413
Total comprehensive income (loss) for the year	-	413	(171,575)	(171,162)
Absorption of losses (note 12)	(207,000)	-	207,000	-
Increase in share capital (note 12)	307,000	-	-	307,000
Cost of rights issue	-	-	(5,382)	(5,382)
<b>At the end of the year</b>	<b>650,000</b>	<b>171</b>	<b>(272,291)</b>	<b>377,880</b>
<b><u>For the year ended 31 December 2020</u></b>				
At the beginning of the year	550,000	(8,009)	(102,178)	439,813
Net loss for the year	-	-	(200,156)	(200,156)
Other comprehensive income for the year	-	7,767	-	7,767
Total comprehensive income (loss) for the year	-	7,767	(200,156)	(192,389)
<b>At the end of the year</b>	<b>550,000</b>	<b>(242)</b>	<b>(302,334)</b>	<b>247,424</b>

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

Abdulmohsen Al-Hokair Group for Tourism and Development Company  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 SR'000	2020 SR'000
<b>OPERATING ACTIVITIES</b>			
Loss before zakat		(170,380)	(201,399)
Adjustments for:			
Depreciation of property and equipment	6.1	152,570	158,488
Impairment of property and equipment	6.1, 6.4	33,403	28,307
Write-off of property, equipment and projects under construction	23	28,991	4,281
Depreciation of right of use assets	7	103,975	134,196
Rent concession	15	(18,862)	(47,163)
Gain from lease modification	15	-	(76,884)
Gain on termination of lease rental	15	(43,373)	(5,200)
Net provision for expected credit losses in respect of trade receivables and related party balances	9.1&19.3	5,756	7,862
Provision for slow moving inventory	11.1	782	1,057
Share in net results of joint ventures	5.1	6,444	3,735
Gain on disposal of property and equipment	23	(1,156)	(1,150)
Financial charges on loans		20,740	30,108
Financial charges on lease liabilities	15	40,219	59,105
Employees' terminal benefits liabilities, net		1,401	(4,293)
		<b>160,510</b>	<b>91,050</b>
Changes in operating assets and liabilities:			
Receivables and other current assets		(3,499)	29,954
Inventories		3,711	2,086
Trade payables and other current liabilities		(3,569)	(13,020)
Cash from operation		<b>157,153</b>	<b>110,070</b>
Zakat paid	18.1	(7,877)	(2,093)
Financial charges paid		(22,487)	(26,626)
Net cash from operating activities		<b>126,789</b>	<b>81,351</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment	6.1	(22,245)	(42,647)
Additions to projects under construction	6.4	(8,021)	(14,230)
Proceeds from disposal of property and equipment		1,979	4,322
Net cash used in investing activities		<b>(28,287)</b>	<b>(52,555)</b>
<b>FINANCING ACTIVITIES</b>			
Increase in share capital		307,000	-
Proceeds from loans	14	484,282	423,954
Repayment of loans	14	(632,853)	(343,353)
Payment of lease liabilities	15	(147,859)	(75,549)
Cost of rights issue		(5,382)	-
Net cash flows from financing activities		<b>5,188</b>	<b>5,052</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>103,690</b>	<b>33,848</b>
Exchange differences on translation of foreign operations	13	(3)	98
Cash and cash equivalents at the beginning of the year		67,774	33,828
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>171,461</b>	<b>67,774</b>

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

# Abdulmohsen Al-Hokair Group for Tourism and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

### 1 CORPORATE INFORMATION

Abdulmohsen Al-Hokair Group for Tourism and Development Company (the "Company") is a Saudi Joint Stock Company that operates under commercial registration number 1010014211 dated 16 Sha'aban 1398H (corresponding to 22 July 1978) and has branches and divisions operating in Riyadh, Jeddah, Khobar and other cities within the Kingdom of Saudi Arabia ("KSA").

The Company and its subsidiaries listed below (the "Group") are engaged in the establishment, management and operations of the following:

- Hotels and furnished apartments
- Entertainment centers, recreation centers and tourist resorts
- Commercial malls
- Restaurants, parks and similar facilities

The Company has invested in the following subsidiaries, which are included in these consolidated financial statements:

<i>Subsidiary</i>	<i>Direct and indirect Ownership %</i>		<i>Principal activity</i>	<i>Country of incorporation</i>
	<i>2021</i>	<i>2020</i>		
Sparky's Land Amusement Toys Company ("Sparky's")	100%	100%	Operation and management of electrical games hall, children amusement games hall and electronic games.	United Arab Emirates
Asateer Company for Entertainment and Tourism	100%	100%	Operation and management of electrical games hall, children amusement games hall and electronic games	Arab Republic of Egypt
Osool Al Mazaya Hospitality Company	85%	85%	Establishment and operation of sport facilities projects	Kingdom of Saudi Arabia

Since the subsidiaries are wholly or substantially owned by the Company, the non-controlling interest is insignificant and therefore not disclosed. All of the above-mentioned subsidiaries have been consolidated.

### 2 GOING CONCERN

In 2020, fears of the spread of Corona virus (Covid-19) caused a significant impact on the Group's business, as local regulators took precautionary measures from March 2020, by closing of entertainment centers and also the current circumstances have resulted in a substantial slow down to the Group's hotels business. As a result, the Group's entertainment and hotel revenues were significantly impacted since then, which have negatively affected the financial performance, cash flows and the financial position of the Group for 2021 and 2020.

The Group has incurred a net loss of SR 171.58 million during the year ended 31 December 2021 (2020: SR 200 million) and, as of that date, the Group's current liabilities exceeded its current assets, resulting in a negative working capital of SR 190.52 million (31 December 2020: SR 533.32 million).

**Abdalmohsen Al-Hokair Group for Tourism and Development Company  
(A Saudi Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

31 December 2021

**2 GOING CONCERN (CONTINUED)**

The management has made an assessment of its performance and negative working capital for the next period, and is satisfied that the Group has required resources to continue in business and would be able to generate sufficient cash flows to enable it to meet its obligations on a timely basis for the next 12 months from the date of these financial statements.

The following were the key measures that were considered by management in addressing negative financial performance and working capital:

- Group's ability to meet its business plan and operational forecast for 2022;
- Use of unutilized facilities, which the Group has eligibility to withdraw;
- Roll over the revolving facilities, as they mature; and
- Additional borrowings from banks against the settlement of loans installment.

Furthermore, the management is not aware of any other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

**3 SIGNIFICANT ACCOUNTING POLICIES**

**3.1 STATEMENT OF COMPLIANCE**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (referred to thereafter as IFRS as endorsed in KSA).

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Saudi Riyals and all values are rounded to the nearest thousand (SAR 000), except when otherwise indicated.

**3.2 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has the following:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Abdulmohsen Al-Hokair Group for Tourism and Development Company  
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2021

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 BASIS OF CONSOLIDATION (CONTINUED)**

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

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

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

**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date, fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held), over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of comprehensive income then the gain is recognised in the consolidated statement of comprehensive income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

**B. Investment in joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining whether joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures are accounted for using the equity method whereby the investments are carried in the consolidated statement of financial position at cost, adjusted by post acquisition changes in the Group's share of net assets of the joint venture, less any impairment in value. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the net results of operations of its joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in joint venture.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Investment in joint ventures (continued)**

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the loss as 'Share of loss of joints venture' in the consolidated statement of comprehensive income.

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

**C. Revenue recognition**

The Group provides hospitality and entertainment services to its customers. Revenue from contracts from customers are recognized when the control over the goods and services are transferred to the customer in an amount that reflects the compensation earned by the Group for those goods and services. The Group has concluded that it acts as a principal for all its revenue arrangements. Revenue is recognized either at a point in time or over time, when (or as) the Group 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 each 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 (or as) the entity satisfies a performance obligation

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.
- c) the entity's performance does not create an asset with an alternative use and the entity has an enforceable right to payment for performance completed to date.

*Revenue from hotels*

Revenue is derived from hotel operations, including the rental of rooms, food and beverage sales and related services. Revenue is recognised when rooms are occupied, services are rendered and food and beverages are sold.

*Revenue from entertainment parks*

Revenues from advance theme park ticket sales are recognised when the tickets are used. For expiring rechargeable playing cards, revenue is recognised based on an estimated usage patterns by the management that are derived from historical usage patterns.

*Other revenue*

Other revenue includes rental income and restaurant income:

Rental income arising from sublease of operating leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income due to its operating nature. Restaurant revenue is derived from sale of food and beverages and is recognized point in time of sale.

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31 December 2021

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. Foreign currencies*

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

*Transactions and balances*

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated financial statements date. All differences are recognised in consolidated statement of comprehensive income.

*Translation of group companies*

Financial statements of the foreign operation are translated into Saudi Riyal using the exchange rate at each statement of financial position date for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

*E. Property, equipment, and projects under construction*

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision is met. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Projects under construction are not depreciated and are stated at cost less accumulated impairment losses, if any. These assets are transferred to property and equipment as and when assets are available for intended use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated at the shorter of its useful life or the lease term.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting period end and adjusted prospectively, if appropriate.

*F. Leases*

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Leases (Continued)**

**Right of Use (RoU) Assets / Lease Liabilities**

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

**Right of Use Assets**

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

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications.

Generally, a RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transaction, etc., these need to be added to the RoU asset value.

The estimated useful lives of the right of use assets for the calculation of depreciation are as follows:

Land	5 to 26 years
Building	5 to 17 years
Offices	10 to 12 years
Spaces in malls	5 to 18 years
Residential units	3 to 7 years

**Lease Liability**

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

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

**G. Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**H. Financial instruments**

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

**i) Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

**Trade receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial instruments are subsequently measured at amortised cost. The losses arising from impairment using the ECL model are recognised in the consolidated statement of comprehensive income. This category generally applies to trade and other receivables.

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*H. Financial instruments (continued)*

*i) Financial assets (continued)*

A financial asset is derecognised when:

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

(a) the Group has transferred substantially all the risks and rewards of the asset, or

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

*Impairment of financial assets*

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

*ii) Financial liabilities*

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

The Group's financial liabilities include trade and other payables, loans and Murabaha borrowings.

*Loans and Murabaha borrowings*

This is the category most relevant to the Group. After initial recognition, interest bearing loans and Murabaha borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

*Derecognition*

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

*iii) Offsetting of financial instruments*

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

**I. Inventories**

Inventories are stated at lower of cost or estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any cost to complete the selling process. Cost is determined using the weighted average method. Appropriate provision is made for slow moving inventories, if any.

**J. Cash and bank balances**

Cash and bank balances include cash in hand and bank balances, net off with bank over drafts, if any, that are repayable on demand and form an integral part of the Group's cash management.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Contract assets**

Contract assets represents the value of services executed but not yet invoiced as at the consolidated statement of financial position date. Such amount will be billed in the subsequent period.

**L. Contract liabilities**

Contract liabilities represents amounts received in advance from customers and hotels guests for future periods, and it will be recognised as revenue in the consolidated statement of comprehensive income for periods subsequent to the consolidated statement of financial position date when earned.

**M. Franchise and management fee**

Franchise fee includes royalty fee, license fee, marketing fee and reservation fee which are paid to franchisors on monthly basis. Management fees include payments made to the operators of hotels for providing management services on monthly basis. Both franchise and management fees are treated as an expense in the consolidated statement of comprehensive income.

**N. Impairment of non-financial assets**

The Group, at each reporting period, reviews the carrying amounts of its long-term assets to determine whether there is any indication that those assets have suffered any 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax/zakat discount rate. If the recoverable amount of the asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognised in the consolidated statement of comprehensive income.

Where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised immediately in the consolidated statement of comprehensive income.

**O. Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the consolidated statement of comprehensive income.

**P. Employees' terminal benefits liabilities**

The Group operates a non-funded employees end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated financial statements for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high-quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in the other comprehensive income in the period in which they arise.

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Employees' terminal benefits liabilities (continued)**

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The rates assumed are based on the WHO ultimate mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of employees' end of service benefits' scheme. If any other mortality table is used it will not make any significant difference in the results.

**Q. Zakat**

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is recognised in the consolidated statement of comprehensive income. Zakat liability is estimated in the consolidated financial statements which is finally calculated at year end. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which assessment is finalized.

**R. Withholding tax**

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required by Saudi Arabian Income Tax Law.

**S. Value added tax**

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

- When 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;
- When 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.

**T. Dividends**

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

**U. Operating segment**

For management purposes, the Group is organised into business units based on their operations and has the following reportable segments:

- Hotel Segment - Engaged in hotel, tourism, health resorts, furnished apartments, restaurants and cafes;
- Entertainment Segment - Engaged in establishment management, operation and maintenance of fun cities, entertainment centers, parks and gardens.
- Others - includes the operations of head office, commercial center and other segments

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 AMENDMENTS AND CHANGES IN ACCOUNTING POLICIES RESULTING FROM AMENDMENTS IN STANDARDS**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard interpretation or amendment that has been issued but is not yet effective.

***Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16***

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

***COVID-19 Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16***

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

**3.5 NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

***Definition of Accounting Estimates – Amendments to IAS 8***

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

***Disclosure of Accounting policies - Amendments to IAS 1 and IFRS Practical Statement 2***

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS (CONTINUED)**

***Amendments to IAS 1: Classification of Liabilities as Current or Non-current***

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16***

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

***Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37***

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. This amendment is not expected to have a material impact on the Group’s consolidated financial statements.

***IAS 41 Agriculture – Taxation in fair value measurements***

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have an impact on the Group.

***IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter***

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS  
(CONTINUED)**

***Reference to the Conceptual Framework – Amendments to IFRS 3***

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Group is assessing the impact of this amendment as the reporting date.

***IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities***

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is not expected to have a material impact on the Group.

***IFRS 17 Insurance Contracts***

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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**4 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES**

In preparing these consolidated financial statements, management has made the following judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

***Going concern***

The consolidated financial statements have been prepared on a going concern basis. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Please refer to note 2 for further details.

***Impairment of non-financial assets***

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

***Provision for expected credit losses of trade receivables***

The Group uses a provision matrix to calculate ECLs for trade 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 Group's historical observed default rates. The Group 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 manufacturing 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 Group'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 Group's trade receivables is disclosed in Note 9.

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

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

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

Refer to Note 15 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

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**4 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES (CONTINUED)**

*Employees' terminal benefits liabilities*

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

*Discount rate*

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the rate of return on high-quality fixed income investments currently available and the expected period to maturity of the Employees' terminal benefits liabilities.

*Mortality rate*

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes.

*Salary rate and future pension increase*

Estimates of future salary increase, takes into account inflation, seniority, promotion and past history. Further details about employees' terminal benefits liabilities are provided in note 16.

*Property and equipment useful life and residual value*

Management estimated and assessed that useful life and residual value of property and equipment have not changed significantly. Any change in the estimated useful life or depreciation pattern will be accounted for prospectively.

*Customers' unexercised rights*

For expiring rechargeable playing cards, management reviews the historical usage patterns and accordingly adjusts the revenue recognised appropriately.

*Provisions and contingencies*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current interest rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; assessed at each statement of financial position date and disclosed in the financial statements under contingent liabilities.

*Zakat*

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is recognised in the consolidated statement of comprehensive income. Zakat liability is estimated in the consolidated financial statements which is finally calculated at year end. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which assessment is finalized.

Zakat computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Group retains exposure to additional Zakat liability.

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5 INVESTMENTS IN JOINT VENTURES

Investments in joint ventures represent investments in the following companies which are limited liability companies, except Tourism and Real Estate Development Company which is a Saudi closed joint stock company. All companies below are registered in the Kingdom of Saudi Arabia. The Group's investments in joint ventures is accounted for using the equity method in these financial statements.

	Ownership		2021 SR '000	2020 SR '000
	2021 %	2020 %		
<b><u>Joint Ventures</u></b>				
Tourism and Real Estate Development Company	48.5	48.5	70,917	67,927
Asateer Company for Entertainment Projects Limited	50.0	50.0	20,794	18,725
Luxury Entertainment LLC	31.0	31.0	7,560	14,043
Tarfeeh Company for Tourism and Projects Limited	50.0	50.0	1,912	1,591
Al Qaseem Trading Company Limited	50.0	50.0	-	4,847
Al Khaleejiya Company for Entertainment Limited	50.0	50.0	50	50
			<u>101,233</u>	<u>107,183</u>

5.1 Movement in the investments in joint ventures for the years ended 31 December:

	2021 SR '000	2020 SR '000
At the beginning of the year	107,183	114,795
Share in net results	(6,444)	(3,735)
Share in other comprehensive income items	-	34
Absorption of losses	494	3,589
Dividends	-	(7,500)
At the end of the year	<u>101,233</u>	<u>107,183</u>

5.2 Interest in material joint ventures

The Group has a 48.5% interest in Tourism and Real Estate Development Company, a joint venture involved in the hospitality business in Saudi Arabia.

Summarised financial information of the joint venture, based on its financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

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5 INVESTMENTS IN JOINT VENTURES (CONTINUED)

5.2 Interest in material joint ventures (continued)

*Statement of financial position of Tourism and Real Estate Development Company as of 31 December:*

	2021 SR '000	2020 SR '000
Current assets, including cash, cash equivalents and prepayments	40,886	29,079
Non-current assets	116,980	122,202
Current liabilities, including zakat payable	(8,453)	(8,391)
Non-current liabilities	(3,193)	(2,835)
<b>Equity</b>	<b>146,220</b>	<b>140,055</b>
Proportion of the Group's ownership	48.5%	48.5%
Carrying amount of the investment	70,917	67,927

*Statement of comprehensive income of Tourism and Real Estate Development Company for the years ended 31 December:*

	2021 SR '000	2020 SR '000
Revenues	36,541	28,255
Expenses	(17,661)	(16,913)
Administrative expenses, including depreciation	(11,393)	(11,155)
Other income	-	5,176
<b>Income before zakat</b>	<b>7,487</b>	<b>5,363</b>
Zakat	(1,322)	(208)
<b>Net income for the year</b>	<b>6,165</b>	<b>5,155</b>
<b>Total comprehensive income for year</b>	<b>6,165</b>	<b>5,155</b>
<b>Group's share of total comprehensive income for the year</b>	<b>2,990</b>	<b>2,500</b>

The Group has a 50% interest in Asateer Company for Entertainment Projects Limited, a joint venture involved in the entertainment business in Saudi Arabia.

Summarised financial information of the joint venture, based on its financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

*Statement of financial position of Asateer Company for Entertainment Projects Limited as of 31 December:*

	2021 SR '000	2020 SR '000
Current assets, including cash, cash equivalents and prepayments	10,364	13,949
Non-current assets	36,248	40,091
Current liabilities, including zakat payable	(4,278)	(16,015)
Non-current liabilities	(746)	(576)
<b>Equity</b>	<b>41,588</b>	<b>37,449</b>
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	20,794	18,725

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5 INVESTMENTS IN JOINT VENTURES (CONTINUED)

5.2 Interest in material joint ventures (continued)

<i>Statement of comprehensive income of Asateer Company for Entertainment Projects Limited for the years ended 31 December:</i>	<i>2021</i>	<i>2020</i>
	<i>SR '000</i>	<i>SR '000</i>
Revenues	28,299	16,964
Expenses	(13,194)	(7,973)
Administrative expenses, including depreciation	(10,828)	(11,251)
Finance costs	(77)	(373)
Other income	184	26
<b>Income (loss) before zakat</b>	<b>4,384</b>	<b>(2,607)</b>
Zakat	(245)	(187)
<b>Net income (loss) for the year</b>	<b>4,139</b>	<b>(2,794)</b>
<b>Total comprehensive income (loss) for year</b>	<b>4,139</b>	<b>(2,794)</b>
<b>Group's share of total comprehensive income (loss) for the year</b>	<b>2,070</b>	<b>(1,397)</b>

6. PROPERTY, EQUIPMENT, AND PROJECTS UNDER CONSTRUCTION

		<i>2021</i>	<i>2020</i>
	<i>Notes</i>	<i>SR '000</i>	<i>SR '000</i>
Property and equipment	6.1 & 6.2	885,087	1,059,776
Projects under construction	6.3 & 6.4	7,687	18,519
		<b>892,774</b>	<b>1,078,295</b>

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**6 PROPERTY, EQUIPMENT AND PROJECTS UNDER CONSTRUCTION (CONTINUED)**

**6.1 Property and equipment**

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings and improvements	the shorter of useful life (10 to 30 years) or lease period	Air conditioners	4 to 10 years
Entertainment equipment	4 to 10 years	Computers	4 years
Furniture and fixtures	4 to 8 years	Tools	3 to 10 years
Motor vehicles	4 to 5 years		

	<i>Buildings and improvements SR '000</i>	<i>Entertainment equipment SR '000</i>	<i>Furniture and fixtures SR '000</i>	<i>Motor Vehicles SR '000</i>	<i>Air conditioners SR '000</i>	<i>Computers SR '000</i>	<i>Tools SR '000</i>	<i>Total SR '000</i>
<b>Cost:</b>								
At 1 January 2021	1,166,363	662,582	281,975	27,469	89,677	88,636	170,820	<b>2,487,522</b>
Additions	9,463	4,036	2,398	161	2,621	2,830	736	<b>22,245</b>
Disposals and write-offs (*)	(63,995)	(12,694)	(5,772)	(358)	(2,132)	(1,810)	(2,504)	<b>(89,265)</b>
Transfer from projects under construction (note 6.4)	1,165	-	263	-	4,746	418	1,137	<b>7,729</b>
At 31 December 2021	<u>1,112,996</u>	<u>653,924</u>	<u>278,864</u>	<u>27,272</u>	<u>94,912</u>	<u>90,074</u>	<u>170,189</u>	<b><u>2,428,231</u></b>
<b>Depreciation:</b>								
At 1 January 2021	450,085	482,224	215,231	27,284	60,286	74,735	117,901	<b>1,427,746</b>
Charge for the year	65,888	41,381	19,454	85	8,690	5,750	11,322	<b>152,570</b>
Impairment loss (note 6.2)	27,474	-	106	-	864	40	2,228	<b>30,712</b>
Disposals and write-offs (*)	(45,877)	(11,283)	(5,250)	(358)	(1,707)	(1,476)	(1,933)	<b>(67,884)</b>
At 31 December 2021	<u>497,570</u>	<u>512,322</u>	<u>229,541</u>	<u>27,011</u>	<u>68,133</u>	<u>79,049</u>	<u>129,518</u>	<b><u>1,543,144</u></b>
<b>Net book values:</b>								
<b>As at 31 December 2021</b>	<u><b>615,426</b></u>	<u><b>141,602</b></u>	<u><b>49,323</b></u>	<u><b>261</b></u>	<u><b>26,779</b></u>	<u><b>11,025</b></u>	<u><b>40,671</b></u>	<b><u>885,087</u></b>

(\*) Disposals and write-offs during the year ended 31 December 2021 include a net book value amount of SR 10.96 million which pertains to an entertainment center, that had to be abandoned by the Group as the land was required as part of a government's development plan. Although, the Group is expected to be compensated for this loss, however, the related amount cannot be reliably estimated at 31 December 2021. Total write-offs (net book values) during 2021 is SR 20.5 million (2020: SR 4.2 million) (Refer to note 23)

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**6 PROPERTY, EQUIPMENT, AND PROJECTS UNDER CONSTRUCTION (CONTINUED)**

**6.1 Property and equipment (continued)**

	<i>Buildings and improvements</i>	<i>Entertainment equipment</i>	<i>Furniture and fixtures</i>	<i>Motor Vehicles</i>	<i>Air conditioners</i>	<i>Computers</i>	<i>Tools</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<b>Cost:</b>								
At 1 January 2020	1,150,717	658,074	275,027	27,762	86,925	85,596	167,118	2,451,219
Additions	14,712	15,165	7,160	82	1,476	3,011	1,041	42,647
Disposals and write-offs	(12,980)	(10,657)	(1,473)	(375)	(140)	(706)	-	(26,331)
Transfer from projects under construction (note 6.4)	13,914	-	1,261	-	1,416	735	2,661	19,987
At 31 December 2020	1,166,363	662,582	281,975	27,469	89,677	88,636	170,820	2,487,522
<b>Depreciation:</b>								
At 1 January 2020	364,480	445,060	197,189	26,650	52,205	68,329	105,916	1,259,829
Charge for the year (**)	65,640	45,278	19,335	1,005	8,210	7,035	11,985	158,488
Impairment loss (note 6.2)	28,307	-	-	-	-	-	-	28,307
Disposals and write-offs	(8,342)	(8,114)	(1,293)	(371)	(129)	(629)	-	(18,878)
At 31 December 2020	450,085	482,224	215,231	27,284	60,286	74,735	117,901	1,427,746
<b>Net book values:</b>								
<b>As at 31 December 2020</b>	<b>716,278</b>	<b>180,358</b>	<b>66,744</b>	<b>185</b>	<b>29,391</b>	<b>13,901</b>	<b>52,919</b>	<b>1,059,776</b>

The above assets are situated on land and buildings that are leased from a principal shareholder of the Group, affiliates and third parties.

(\*\*) The depreciation charge has been allocated within the statement of comprehensive income as follows:

	<b>2021</b>	<b>2020</b>
	<b>SR '000</b>	<b>SR '000</b>
Direct costs	141,730	147,278
General and administration expenses (Note 22)	10,840	11,210
	<b>152,570</b>	<b>158,488</b>

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**6 PROPERTY, EQUIPMENT, AND PROJECTS UNDER CONSTRUCTION (CONTINUED)**

**6.2 Impairment of property and equipment**

The Group has performed 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.

The recoverable amount for each Cash Generating Unit (CGU) of the hotel and entertainment sectors as at 31 December 2021 has been determined based on a value in use calculation, terminal cash flows, using cash flow projections from business plans covering a five-year period. It was concluded that the recoverable amount was lower than the carrying value for certain CGUs in both sectors and as a result, the Group has recorded an impairment loss of SR 17.87 million (31 December 2020: SR 13.91 million) for certain hotels and SR 12.84 million (31 December 2020: SR 14.40 million) for certain entertainment sectors. The total impairment loss of SR 30.71 million (31 December 2020: SR 28.31 million) is recorded as part of other expenses in the consolidated statement of comprehensive income (note 23).

**6.3 Projects under construction**

Projects under construction represent cost of two new entertainment centers (31 December 2020: two entertainment centers and one commercial center), in the Kingdom of Saudi Arabia that are currently under construction, in addition to renovation costs of existing hotels.

**6.4 Movement in the projects under construction for the years ended 31 December:**

	2021 SR '000	2020 SR '000
At the beginning of the year	18,519	24,276
Additions	8,021	14,230
Transfers to property and equipment (note 6.1)	(7,729)	(19,987)
Impairment	(2,691)	-
Write off (*)	(8,433)	-
	<u>7,687</u>	<u>18,519</u>

(\*) During the current year, the Group decided to discontinue a project under construction, which relates to an entertainment center, based on the current circumstances and future outlook. This has resulted in a loss of SR 8.4 million (note 23).

**7 RIGHT OF USE ASSETS**

The Group leases several assets including land, buildings, spaces in malls, and residential units. Information about leases for which the Group is a lessee is presented below:

	Land SR '000	Buildings and offices SR '000	Spaces in malls SR '000	Residential units SR '000	Total SR '000
<b>Cost:</b>					
At 1 January 2021	156,156	203,411	645,668	10,416	1,015,651
Additions	-	118,719	9,917	1,526	130,162
Termination (note 23)	-	(15,360)	(55,386)	(359)	(71,105)
Modifications of leases	-	(3,630)	(22,002)	368	(25,264)
At 31 December 2021	<u>156,156</u>	<u>303,140</u>	<u>578,197</u>	<u>11,951</u>	<u>1,049,444</u>
<b>Depreciation:</b>					
At 1 January 2021	27,103	65,249	141,324	7,138	240,814
Charge for the year	13,308	21,774	66,768	2,125	103,975
Termination (note 23)	-	(11,930)	(28,514)	(359)	(40,803)
At 31 December 2021	<u>40,411</u>	<u>75,093</u>	<u>179,578</u>	<u>8,904</u>	<u>303,986</u>
<b>Net book values:</b>					
As at 31 December 2021	<u>115,745</u>	<u>228,047</u>	<u>398,619</u>	<u>3,047</u>	<u>745,458</u>

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7 RIGHT OF USE ASSETS (CONTINUED)

	<i>Land</i> <i>SR '000</i>	<i>Buildings and offices</i> <i>SR '000</i>	<i>Spaces in malls</i> <i>SR '000</i>	<i>Residential units</i> <i>SR '000</i>	<i>Total</i> <i>SR '000</i>
<b>Cost:</b>					
At 1 January 2020	159,703	937,605	569,861	10,118	1,677,287
Additions	26,807	12,013	93,143	837	132,800
Modification of lease agreements (*)	-	(744,156)	-	-	(744,156)
Termination	(30,354)	(2,051)	(17,336)	(539)	(50,280)
At 31 December 2020	156,156	203,411	645,668	10,416	1,015,651
<b>Depreciation:</b>					
At 1 January 2020	15,136	81,816	75,988	3,862	176,802
Charge for the year	14,519	46,349	69,513	3,815	134,196
Modification of lease agreements (*)	-	(62,032)	-	-	(62,032)
Termination	(2,552)	(884)	(4,177)	(539)	(8,152)
At 31 December 2020	27,103	65,249	141,324	7,138	240,814
<b>Net book values:</b>					
As at 31 December 2020	129,053	138,162	504,344	3,278	774,837

(\*) During the year ended 31 December 2020, the Company has made an agreement with the principal shareholder "Abdulmohsen Abdulaziz Al Hokair Holding Group Company" to revise the terms of leases for certain hotels, from fixed consideration (annual fixed payment) to variable consideration (variable lease payment, based on % of revenue). As per IFRS 16, rent consideration that is based on revenue is considered to be variable payment where no right of use assets or lease liability shall be recognized. As a result of the change of lease arrangements, the Company de-recognized amounts of SR 682 million and 759 million of right of use assets and lease liability balances, respectively. Accordingly, this resulted in a gain amounting to SR 77 million recognized from such lease modification, which was reported as income in the consolidated statement of comprehensive income.

8 CASH AND BANK BALANCES

	<i>2021</i> <i>SR '000</i>	<i>2020</i> <i>SR '000</i>
Cash at banks	168,899	64,664
Cash in hand	2,562	3,110
	171,461	67,774

Cash and bank balances are non-interest-bearing financial assets and the table below provides details of balances held in various currencies:

	<i>2021</i> <i>SR '000</i>	<i>2020</i> <i>SR '000</i>
Saudi Riyals	161,650	63,322
UAE Dirhams	6,357	926
Egyptian pound	892	416
	168,899	64,664

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**9 TRADE RECEIVABLES**

	2021 SR '000	2020 SR '000
Trade receivables	103,098	68,725
Less: provision for expected credit losses (note 9.1)	(14,903)	(13,127)
	<u>88,195</u>	<u>55,598</u>

(i) Trade receivables are non-derivatives financial assets carried at amortised cost and are generally on terms of 30 to 90 days. The carrying value may be affected by changes in the credit risk of the counterparties.

(ii) Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and these are, therefore, unsecured.

(iii) The vast majority of the Group's trade receivables is concentrated in the Kingdom of Saudi Arabia. As of 31 December 2021, 35.8% of gross trade receivable balance is due from governmental and quasi-governmental parties (31 December 2020: 23.6%).

(iv) As at 31 December 2021, trade receivables with a carrying value of SR 14.9 million (31 December 2020: SR 13.1 million) were impaired and provided for, as appropriate.

**9.1 Movement in provision for expected credit losses in respect of trade receivables for the years ended 31 December:**

	2021 SR '000	2020 SR '000
At the beginning of the year	13,127	15,825
Charge for the year (note 22)	2,119	5,573
Amounts written off during the year	(343)	(8,271)
At the end of the year	<u>14,903</u>	<u>13,127</u>

Below is the summary of the ageing of trade receivables:

31 December 2021	Trade receivables					
	Days past due					
	0-180 days	181-360 days	361-540 days	541-720 days	>720 days	Total
Expected credit loss rate	0.79%	3.08%	11.65%	27.56%	82.23%	
Total gross carrying amount	55,868	22,366	3,554	7,622	13,688	103,098
Expected credit loss	443	689	414	2,101	11,256	14,903
31 December 2020	Trade receivables					
	Days past due					
	0-180 days	181-360 days	361-540 days	541-720 days	>720 days	Total
Expected credit loss rate	1.46%	6.35%	20.55%	37.30%	91.65%	
Total gross carrying amount	35,184	11,558	9,233	3,131	9,619	68,725
Expected credit loss	512	734	1,897	1,168	8,816	13,127

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**10 PREPAYMENTS AND OTHER CURRENT ASSETS**

	2021 SR '000	2020 SR '000
Amounts due from related parties (note 19.3)	20,308	45,794
Advances to suppliers	16,354	8,676
Prepaid expenses	11,125	17,744
Contract assets	8,945	12,397
Employees' receivable	1,853	2,009
Other current assets	5,202	12,021
	<u>63,787</u>	<u>98,641</u>

For terms and conditions relating to due to related parties, refer to note 19.2.

**11 INVENTORIES**

	2021 SR '000	2020 SR '000
Spare parts	12,415	12,539
Materials and supplies	4,886	5,944
Toys	3,542	5,485
Food and beverages	2,399	2,585
Others	2,721	3,130
	<u>25,963</u>	<u>29,683</u>
Less: provision for slow moving inventories (note 11.1)	(7,477)	(6,704)
	<u>18,486</u>	<u>22,979</u>

**11.1 Movement in provision for slow moving inventories for the years ended 31 December is as follows:**

	2021 SR '000	2020 SR '000
At the beginning of the year	6,704	5,722
Charge for the year	782	1,057
Amounts written off during the year	(9)	(75)
At the end of the year	<u>7,477</u>	<u>6,704</u>

**12 SHARE CAPITAL**

The authorized, issued and fully paid share capital of the Company consists of 65 million share of SR 10 each (31 December 2020: 55 million share of SR 10 each).

On 28 Thul-Qi'dah 1442H (corresponding to 8 July 2021), the Company's shareholders in their Extraordinary General Assembly approved a share capital reduction from SR 550 million to SR 343 million by reducing the number of shares from 55 million shares to 34.3 million shares, to offset SR 207 million of the Company's accumulated losses. In the same meeting, the shareholders also approved rights issue of 30.7 million ordinary shares of SR 10 each to increase the number of shares from 34.3 million shares to 65 million of SR 10 each. As a result, the share capital of the Company has increased to SR 650 million.

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**13 OTHER RESERVES**

	<i>Actuarial valuation of employees' terminal benefit liabilities SR '000</i>	<i>Exchange differences on translation of foreign operations SR '000</i>	<i>Total SR '000</i>
As at 1 January 2021	1,960	(2,202)	(242)
Net change in exchange differences on translation of foreign operations	-	(3)	(3)
Re-measurements of employees' terminal benefit liabilities (note 16.4)	416	-	416
Other comprehensive income	416	(3)	413
<b>As at 31 December 2021</b>	<b>2,376</b>	<b>(2,205)</b>	<b>171</b>

	<i>Actuarial valuation of employees' terminal benefit liabilities SR '000</i>	<i>Exchange differences on translation of foreign operations SR '000</i>	<i>Total SR '000</i>
As at 1 January 2020	(5,709)	(2,300)	(8,009)
Net change in exchange differences on translation of foreign operations	-	98	98
Re-measurements of employees' terminal benefit liabilities (note 16.4 and note 5.1)	7,669	-	7,669
Other comprehensive income	7,669	98	7,767
<b>As at 31 December 2020</b>	<b>1,960</b>	<b>(2,202)</b>	<b>(242)</b>

**14 LOANS**

Loans represents Murabaha financing obtained from local banks. These loans carry Murabaha financing costs at prevailing market rates.

The following is a summary of the loans as of 31 December:

	<i>2021 SR '000</i>	<i>2020 SR '000</i>
Current portion of long term loans	167,526	245,612
Short term loans	20,000	64,800
	<b>187,526</b>	<b>310,412</b>
Non-current portion of long term loans	366,721	392,406
	<b>554,247</b>	<b>702,818</b>

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**14 LOANS (CONTINUED)**

The movement in the loans is as follows:

	SR '000
Balance at 1 January 2020	622,217
Proceeds during the year	423,954
Repayments during the year	(343,353)
Balance at 31 December 2020	702,818
Proceeds during the year	484,282
Repayments during the year	(632,853)
Balance at 31 December 2021	<u>554,247</u>

(i) The loan agreements contain covenants, mainly relating to certain leverage ratio, total debt to equity ratio and others. Under the terms of these agreements, banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Group was in compliance with those loan covenants as at 31 December 2021 and 2020, with the exception of certain covenants required by two banks. However, waivers from these banks have been obtained before the end of the reporting period.

(ii) Management has assessed that fair value of short-term loans and current portion of long term loans approximate their carrying amounts, due to the short-term maturities of these instruments.

**15 LEASE LIABILITIES**

The minimum lease payments for the years subsequent to the date of the consolidated statement of financial position are as follows:

	2021 SR '000	2020 SR '000
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Within one year	134,049	266,420
After one year but not more than five years	434,677	430,948
More than five years	509,864	510,880
Total undiscounted lease liabilities	<u>1,078,590</u>	<u>1,208,248</u>

The net present value of the net lease payments is as follows:

	2021 SR '000	2020 SR '000
<i>Lease liabilities included in the consolidated statement of financial position:</i>		
Current portion of lease liabilities	98,134	227,624
Non-current portion of lease liabilities	754,020	737,826
Total lease liabilities	<u>852,154</u>	<u>965,450</u>

*Amounts recognised in the consolidated statement of comprehensive income:*

Financial charges on lease liabilities	40,219	59,105
Variable lease payments not included in the measurement of lease liabilities	56,531	42,300
Expenses relating to short term leases	17,873	15,583

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**15 LEASE LIABILITIES (CONTINUED)**

The Group has certain lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Movement in lease liabilities during the years ended 31 December is as follows:

	2021 SR '000	2020 SR '000
Balance as at 1 January	965,450	1,710,584
Additions during the year	130,162	132,800
Financial charge for the year	40,219	59,105
Repayments during the year	(147,859)	(75,549)
Rent concession during the year	(18,862)	(47,163)
Modifications during the year	(25,264)	-
Modifications resulted from amendments of lease agreements	-	(759,008)
Reclassification to accrued expenses	(18,017)	(7,991)
Terminations during the year (note 23)	(73,675)	(47,328)
Balance as at 31 December	852,154	965,450
Current portion	98,134	227,624
Non-current portion	754,020	737,826

**16 EMPLOYEES' TERMINAL BENEFITS LIABILITIES**

**16.1 General description**

General description of the type of employees' terminal benefits liabilities plan and accounting policy for recognising actuarial gains and losses is disclosed in note 3.3 to the consolidated financial statements.

**16.2 Principal actuarial assumptions as of 31 December:**

	2021	2020
Salary increase rate	1.78%	1.11%
Discount rate	2.78%	2.11%
Number of employees covered under terminal benefits plan	2,401	2,342

The actuarial valuation was conducted using Projected Unit Credit method.

**16.3 Employees' terminal benefit expense for the years ended 31 December consists of the following:**

	2021 SR '000	2020 SR '000
Current service cost	8,528	14,074
Interest cost on benefit liabilities	956	1,436
Total benefit expense	9,484	15,510

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16 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

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

	2021 SR '000	2020 SR '000
Opening present value of employees' terminal benefits liabilities	49,335	62,076
Total benefit expense (note 16.3)	9,484	15,510
Benefit paid	(8,083)	(19,803)
Transferred to related parties (note 19.1)	-	(813)
Actuarial gains on employees' terminal benefit liabilities	(416)	(7,635)
Closing present value of employees' terminal benefits liabilities	<u>50,320</u>	<u>49,335</u>

16.5 Employees' terminal benefits liabilities sensitivity analysis

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as of 31 December:

Assumptions Sensitivity level	Salary increase rate		Discount rate	
	1% increase SR '000	1% decrease SR '000	1% increase SR '000	1% decrease SR '000
2021	5,029	(4,391)	(4,089)	4,759
2020	5,116	(4,446)	(4,146)	4,849

  

Assumptions Sensitivity level	Withdrawal rate		Mortality age	
	10% increase SR '000	10% decrease SR '000	1 year set back SR '000	1 year set forward SR '000
2021	(176)	177	4	(4)
2020	(205)	207	4	(4)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the employees' terminal benefits liabilities as a result of reasonable changes in key assumptions occurring as at 31 December 2021 and 2020. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following are the expected payments or contributions to the defined benefit plan in future years:

	2021 SR '000	2020 SR '000
Within the next 12 months (next annual reporting period)	4,581	4,364
Between 2 and 5 years	15,033	13,721
Between 5 and 10 years	16,640	15,965
Beyond 10 years	29,444	26,536
<b>Total Expected payments</b>	<u>65,698</u>	<u>60,586</u>

The average duration of the defined benefit plan obligation as at 31 December 2021 is 8.79 years (31 December 2020: 9.12 years).

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**17 TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

	2021 SR '000	2020 SR '000
Trade payables (*)	98,387	95,152
Accrued expenses	83,253	76,591
Accrued rent	32,036	18,270
Contract liabilities	17,836	21,376
Amounts due to related parties (note 19.3)	942	6,392
Other liabilities	7,479	8,957
	<u>239,933</u>	<u>226,738</u>

(\*) Trade payables are non-interest bearing financial liabilities and are normally settled within 30-90 days of the date of purchase.

**18 ZAKAT**

Zakat expense is determined according to the requirements of Zakat, Tax and Customs Authority ("ZATCA") and is charged to the consolidated statement of comprehensive income. Differences resulting from the final Zakat calculation, if any, are adjusted in the year that final assessments are received.

The Company has filed its Zakat returns with ZATCA for all the years up to 2020. Previously, the Company has received final Zakat assessment for all the years till 31 December 2012. For the year 2013, it is still pending. During the current year, the Company has obtained the final Zakat assessments for the years from 2014 to 2017 and settled amounts of SR 7.88 million, which resulted in a reversal of excess Zakat provision of SR 2.3 million. Also, Zakat assessments for the years from 2018 to 2020 were received by the Company, which resulted in a additional Zakat provision of SR 3.5 million.

**18.1 Movement in provision for zakat for the years ended 31 December:**

	2021 SR '000	2020 SR '000
At the beginning of the year	13,542	16,878
Reversal during the year	(2,296)	(1,623)
Additional Zakat provision	3,491	380
Paid during the year	(7,877)	(2,093)
At the end of the year	<u>6,860</u>	<u>13,542</u>

**18.2 Zakat base items are summarized as follows:**

	2021 SR '000	2020 SR '000
Shareholder's equity	549,758	541,991
Opening period's provision and other adjustments	1,599,967	1,641,514
Book value of long-term assets	(2,054,215)	(2,076,404)
	<u>95,510</u>	<u>107,101</u>
Adjusted loss for the year	(154,357)	(159,881)
Zakat base	<u>(58,847)</u>	<u>(52,780)</u>

No zakat has been charged to consolidated statement of comprehensive income as the zakat base is negative.

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**19 RELATED PARTY TRANSACTIONS AND BALANCES**

**19.1 Related party transactions**

The following are the details of significant related party transactions:

Related Party	Nature of transaction	Amount of transaction for the years ended 31 December	
		2021 SR '000	2020 SR '000
Principal shareholder	Lease/rent payments (a)	57,335	39,390
	Rent concession (a)	-	21,471
	Revenue	1,197	2,615
	Post-employment benefits	-	813
Board of Directors	Salaries and related benefits (b)	1,782	1,604
	Remuneration for meetings	2,599	3,022
	Post-employment benefits	162	125
Joint ventures	Management fees revenue (c)	312	1,031
Affiliates	Lease payments (a)	7,705	9,846
	Management fees revenue (c)	117	221
Key management executives	Salaries and related benefits (b)	2,729	1,692
	Post-employment benefits	135	162

- (a) For 2021, this amount represents lease/rent payments of 26 properties (31 December 2020: 26 properties) that are leased by the Group from the principal shareholder and affiliates.

As a response to COVID 19 outbreak and its impact on hotels and entertainments sectors, the Company received a rent concession from the principal shareholder of SR 21.5 million, for the period from 1 January 2020 to 30 June 2020. In addition, the Company also received a rent concession of SR 25.7 million from third parties during 2020. This rent concession was reported as a reduction of direct costs in consolidated statement of comprehensive income.

- (b) Salaries and related benefits of SR 1.8 million (31 December 2020: SR 1.6 million) were paid to one member (31 December 2020: two members) of the Board of Directors who is involved in the management of the Company. In addition to those mentioned in note (b) above, salaries and related benefits of SR 2.7 million (31 December 2020: SR 1.7 million) were paid to three key management executives of the Group. Post employee benefits for key management personnel are key management executives are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.
- (c) This amount represents management fees of seven entertainment centers (31 December 2020: eight entertainment centers) and two hotels (31 December 2020: two hotels) owned by a joint venture and affiliate.

**19.2 Terms and conditions relating to related party balances**

Outstanding balances with related parties at the year end are unsecured, interest free, settled in cash and due within 12 months of statement of consolidated financial position date. There have been no guarantees provided or received for any related party receivables or payables. This assessment is undertaken at each reporting period end by examining the financial position of the related party and the market in which the related party operates.

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19 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

19.3 Related party balances

The following are the details of major related party balances as of 31 December:

	2021 SR '000	2020 SR '000
<i>i) Amounts due from related parties</i>		
Luxury Entertainment LLC (a joint venture)	15,371	14,443
Al Khaleejiya for Entertainment Company Limited (a joint venture)	5,926	3,364
Principal shareholder	1,895	14,690
Tarfeeh Company for Tourism Projects Limited (a joint venture)	1,559	4,621
Naqaha Healthcare Company Limited (an affiliate)	109	5,564
Mena Hotel Al Barsha Dubai (an affiliate)	-	3,256
Asateer Company for Entertainment Projects Limited (a joint venture)	-	1,004
Others	1,374	1,141
	<u>26,234</u>	<u>48,083</u>
Less: provision for impairment of related party receivables	<u>(5,926)</u>	<u>(2,289)</u>
	<u>20,308</u>	<u>45,794</u>
	2021 SR '000	2020 SR '000
<i>ii) Amounts due to related parties</i>		
Al Qaseem Trading Company Limited (a joint venture)	494	4,886
Asateer Company for Entertainment Projects Limited (a joint venture)	425	-
Riyadh Plastic Factory (an affiliate)	23	1,223
Al Riyadh Co. for Tourism, Ent. & Commercial Projects (an affiliate)	-	283
	<u>942</u>	<u>6,392</u>
<i>iii) Movement in respect of related party receivables for the years ended 31 December:</i>		
	2021 SR '000	2020 SR '000
At the beginning of the year	2,289	-
Charge for the year (note 22)	3,637	2,289
At the end of the year	<u>5,926</u>	<u>2,289</u>

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**20 REVENUE FROM CONTRACTS WITH CUSTOMERS**

The following is the disaggregation of the Group's revenue from contracts with customers:

*For the year ended 31 December 2021*

<i>SR '000</i>	<i>Hotels</i>	<i>Entertainment</i>	<i>Others</i>	<i>Total</i>
Type of goods or services:				
Rooms	277,244	-	-	277,244
Food and beverage	83,279	-	-	83,279
Games and parks revenue	-	282,735	-	282,735
Rental revenue	-	4,733	21,340	26,073
Restaurant revenue	-	-	17,718	17,718
Other hotel revenues	21,368	-	-	21,368
<b>Total revenue from contracts with customers</b>	<b>381,891</b>	<b>287,468</b>	<b>39,058</b>	<b>708,417</b>

Timing of revenue recognition:				
Services transferred over time	298,612	4,733	21,340	324,685
Goods transferred at a point in time	83,279	282,735	17,718	383,732
<b>Total revenue from contracts with customers</b>	<b>381,891</b>	<b>287,468</b>	<b>39,058</b>	<b>708,417</b>

*For the year ended 31 December 2020*

<i>SR '000</i>	<i>Hotels</i>	<i>Entertainment</i>	<i>Others</i>	<i>Total</i>
Type of goods or services:				
Rooms	223,480	-	-	223,480
Food and beverage	84,795	-	-	84,795
Games and parks revenue	-	178,342	-	178,342
Rental revenue	-	4,761	16,581	21,342
Restaurant revenue	-	-	18,102	18,102
Other hotel revenues	87,047	-	-	87,047
<b>Total revenue from contracts with customers</b>	<b>395,322</b>	<b>183,103</b>	<b>34,683</b>	<b>613,108</b>
Timing of revenue recognition:				
Services transferred over time	310,527	4,761	16,581	331,869
Goods transferred at a point in time	84,795	178,342	18,102	281,239
<b>Total revenue from contracts with customers</b>	<b>395,322</b>	<b>183,103</b>	<b>34,683</b>	<b>613,108</b>

**21 SELLING AND MARKETING EXPENSES**

	<i>2021 SR '000</i>	<i>2020 SR '000</i>
Salaries and related benefits	9,187	9,968
Promotions and advertisement	8,631	7,435
Marketing fees	5,350	4,848
Commission expenses	1,721	3,156
Other	2,178	2,214
	<b>27,067</b>	<b>27,621</b>

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22 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 SR '000	2020 SR '000
Salaries and related benefits	84,002	87,675
Professional fees	12,660	6,591
Depreciation of property and equipment (note 6.1)	10,840	11,210
Government fees	9,286	11,947
Bank charges	7,755	6,396
Office maintenance expenses	5,615	8,162
Travel	3,828	3,216
Provision in respect of related party receivables (note 19.3)	3,637	2,289
Utilities	3,438	3,226
Insurance	2,322	3,112
Provision for expected credit losses in respect of trade receivables (note 9.1)	2,119	5,573
Rent	1,741	11,110
Others	16,382	17,170
	<u>163,625</u>	<u>177,677</u>

23 OTHER EXPENSES, NET

	2021 SR '000	2020 SR '000
Gain on termination of lease, net (*) (notes 7 and 15)	43,373	5,200
Gain on disposal of property and equipment (note 6)	1,156	1,150
Impairment loss on property, equipment and projects under construction (notes 6.1 and 6.4)	(33,403)	(28,307)
Write-off of property, equipment and projects under construction (notes 6.1 and 6.4)	(28,991)	(4,281)
Others	974	239
	<u>(16,891)</u>	<u>(25,999)</u>

(\*) Gain on termination of lease during the year ended 31 December 2021 primarily results from a court decision. The Group has settled an old legal case that relates to a lease rental of a hotel property. This has resulted in a de-recognition of a right of use assets of SR 3 million and lease liability of SR 39.36 million. The resulting difference of SR 36.36 million was recognized by the Group as a gain on termination of a lease rental.

24 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the loss and shares data used in the basic and diluted loss per share calculations:

	2021 SR '000	2020 SR '000
Loss for the year	(171,575)	(200,156)
Weighted average number of ordinary shares outstanding during the year	Thousands <u>58,507</u>	Thousands <u>55,000</u>
Basic and diluted loss per share	SR <u>(2.93)</u>	SR <u>(3.64)</u>

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**25 COMMITMENTS AND CONTINGENCIES**

**25.1 Legal contingencies**

The Group is involved in litigation in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty based on the advice of the Group's legal counsel. Management does not expect these will have a material adverse effect on the Group's financial position or results of operations as adequate provision was made in the consolidated financial statements.

**25.2 Capital commitments**

As at 31 December 2021, the Group has capital commitments of SR 28 million (31 December 2020: SR 36.1 million) related to projects under constructions.

**25.3 Letters of credit and guarantee**

As at 31 December 2021, the Group had outstanding letters of credit and guarantee amounting to SR 7.1 million (31 December 2020: SR 10.3 million).

**26 SEGMENTAL INFORMATION**

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

**26.1 The Group's reportable segments under IFRS 8 are as follows:**

**Hotels:** engaged in hotel, tourism, health resorts, furnished apartments.

**Entertainment:** Engaged in establishment, management, operation and maintenance of fun cities, entertainment centers, parks and gardens, restaurants and cafes.

**Others:** includes the operations of head office, commercial center and other segments.

The Group's primary business is conducted in Saudi Arabia with three subsidiaries, Sparky's UAE, Asateer Company for Entertainment and Tourism – Egypt and Osool Al Mazaya Hospitality Company. However, the total assets, liabilities, commitments and results of operations of those subsidiaries are not material to the Group's overall consolidated financial statements. Transactions between the operating segments are on terms as approved by the management. There are no material items of income or expense between the operating segments. Majority of the segment assets and liabilities comprise operating assets and liabilities.

Following is a summary of key financial information for the years ended 31 December 2021 and 2020:

**2021**

<b>SR '000</b>	<b>Hotels</b>	<b>Entertainment</b>	<b>Others</b>	<b>Total</b>
Revenue from contracts with customers	381,891	287,468	39,058	<b>708,417</b>
Depreciation of property and equipment	69,549	64,800	7,381	<b>141,730</b>
Depreciation of right of use assets	18,081	77,085	8,809	<b>103,975</b>
Other direct costs	248,469	88,485	21,152	<b>358,106</b>
<b>Gross profit</b>	<b>45,792</b>	<b>57,098</b>	<b>1,716</b>	<b>104,606</b>
Expenses	(102,461)	(46,490)	(41,741)	<b>(190,692)</b>
Financial charges	(6,289)	(30,962)	(23,708)	<b>(60,959)</b>
Other income (expenses), net	12,351	(21,963)	(7,279)	<b>(16,891)</b>
Shares in net results of joint ventures	-	-	(6,444)	<b>(6,444)</b>
Zakat	-	-	(1,195)	<b>(1,195)</b>
<b>Net loss</b>	<b>(50,607)</b>	<b>(42,317)</b>	<b>(78,651)</b>	<b>(171,575)</b>
Property, equipment and projects under construction	406,281	397,582	88,911	<b>892,774</b>
Right of use assets	213,582	416,994	114,882	<b>745,458</b>
Investments in joint ventures	-	-	101,233	<b>101,233</b>
Total assets	842,526	877,626	361,242	<b>2,081,394</b>
Total liabilities	603,227	557,327	542,960	<b>1,703,514</b>
Capital expenditures	12,671	14,120	3,475	<b>30,266</b>

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26 SEGMENTAL INFORMATION (CONTINUED)

26.1 The Group's reportable segments under IFRS 8 are as follows (continued):

2020 SR '000	Hotels	Entertainment	Others	Total
Revenue from contracts with customers	395,322	183,103	34,683	613,108
Depreciation of property and equipment	69,876	71,352	6,050	147,278
Depreciation of right of use assets	43,509	82,110	8,577	134,196
Other direct costs	194,897	69,215	21,560	285,672
Gross profit	87,040	(39,574)	(1,504)	45,962
Expenses	(108,262)	(61,172)	(35,864)	(205,298)
Financial charges	(17,106)	(39,443)	(32,664)	(89,213)
Gain from lease modification	76,884	-	-	76,884
Other (expenses) income, net	(13,762)	(12,363)	126	(25,999)
Shares in net results of joint ventures	-	-	(3,735)	(3,735)
Zakat	-	-	1,243	1,243
Net income/(loss)	24,794	(152,552)	(72,398)	(200,156)
Property, equipment and projects under construction	487,424	509,466	81,405	1,078,295
Right of use assets	115,947	541,579	117,311	774,837
Investments in joint ventures	-	-	107,183	107,183
Total assets	723,555	1,123,807	357,945	2,205,307
Total liabilities	336,032	722,997	898,854	1,957,883
Capital expenditures	15,745	32,835	8,297	56,877

In addition to the above segment reporting, the Group's revenue is generated from the following subsidiaries and locations:

For the year ended 31 December 2021

SR '000	Kingdom of Saudi Arabia	United Arab Emirates	Egypt	Total
The Company	683,201	-	-	683,201
Osool Al Mazaya Hospitality Company	1,892	-	-	1,892
Sparky's Land Amusement Toys Company	-	20,681	-	20,681
Asateer Company for Entertainment and Tourism	-	-	2,643	2,643
<b>Total revenue</b>	<b>685,093</b>	<b>20,681</b>	<b>2,643</b>	<b>708,417</b>

For the year ended 31 December 2020

SR '000	Kingdom of Saudi Arabia	United Arab Emirates	Egypt	Total
The Company	601,603	-	-	601,603
Osool Al Mazaya Hospitality Company	1,146	-	-	1,146
Sparky's Land Amusement Toys Company	-	9,029	-	9,029
Asateer Company for Entertainment and Tourism	-	-	1,330	1,330
<b>Total revenue</b>	<b>602,749</b>	<b>9,029</b>	<b>1,330</b>	<b>613,108</b>

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**26 SEGMENTAL INFORMATION (CONTINUED)**

**26.2 Credit exposure by operating segments is as follows:**

**31 December 2021**

SR '000	Hotels	Entertainment	Others	Total
Assets	199,910	32,422	54,015	<b>286,347</b>
Commitments and contingencies	15,668	15,679	3,796	<b>35,143</b>

**31 December 2020**

SR '000	Hotels	Entertainment	Others	Total
Assets	87,636	41,245	49,572	178,453
Commitments and contingencies	33,145	8,003	5,259	46,407

Group's credit exposure is comprised of bank balances, trade receivables and amounts due from related parties.

**27 CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximise shareholders' value. The capital structure includes all components of shareholders' equity totaling SR 377.9 million at 31 December 2021 (31 December 2020: SR 247.42 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current term loans as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

	2021 SR '000	2020 SR '000
Total loans (current + non-current loans)	<b>554,247</b>	702,818
Less: cash and bank balances	<b>(171,461)</b>	(67,774)
Net debt	<b>382,786</b>	635,044
Shareholders' equity	<b>377,880</b>	247,424
Total capital	<b>760,666</b>	882,468
Gearing ratio	<b>50.32%</b>	71.96%

In order to achieve the above stated overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. Refer to note 14 for compliance with loans covenants. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

**28 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

The management assessed that fair value of bank balances, trade and other receivables, amounts due from related parties, short term loans, amounts due to related parties, accruals and other payables approximate their carrying amounts, largely due to the short-term maturities of these instruments and in case of long term loans, the interest rates are comparable with the prevalent market interest rates.

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**29 FINANCIAL INSTRUMENTS RISK MANAGEMENT**

The Group's principal financial liabilities comprise loans, lease, trade payables and certain other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and bank balances that derive directly from its operations.

The Group is exposed to interest rate risk, credit risk, currency risk and liquidity risk. The Group's senior management oversees the management of these risks which are summarized below.

**29.1 Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including bank borrowings. The Group manages its interest rate risk by maintaining floating rate term loans at acceptable limit and monitoring levels of interest rates throughout the year.

The following table demonstrates the sensitivity of the total comprehensive loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the total comprehensive loss is the effect of the assumed changes in interest rates on the Group's total comprehensive loss for the years ended 31 December 2021 and 2020, based on the floating rate loans outstanding at 31 December 2021 and 2020.

Increase/ (decrease) in basis points	Effect on total comprehensive loss for the two years ended 31 December	
	2021 SR '000	2020 SR '000
+50	(2,771)	(3,514)
-50	2,771	3,514

**29.2 Credit risk**

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the consolidated statement of financial position date, no significant concentrations of credit risk were identified by management except what has been mentioned in note 9.

Credit risk from balances with banks is managed in accordance with the Group's relevant policy. Balances are maintained only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are

reviewed and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate a financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk at 31 December 2021 and 2020 are the carrying amounts disclosed below.

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date, the maximum exposure to credit risk was as follows:

	2021 SR '000	2020 SR '000
Bank balances (note 8)	168,899	64,664
Trade receivables (note 9)	88,195	55,598
Due from related parties (note 19.3)	20,308	45,794
Contract assets (note 10)	8,945	12,397
	<b>286,347</b>	<b>178,453</b>

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**29 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)**

**29.3 Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not conduct significant transactions in currencies except Saudi Riyals, US Dollar, Euro and UAE Dirham. The Group is not exposed to significant currency risk as the Saudi Riyal is pegged to the US Dollar and transactions denominated in other currencies are not considered to represent significant currency risk.

**29.4 Liquidity risk**

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2021 and 2020 based on contractual payment dates and current market interest rates.

	<i>Less than 3 months SR '000</i>	<i>3 to 12 Months SR '000</i>	<i>&gt; 12 Months SR '000</i>	<i>Total SR '000</i>
<b>2021</b>				
Short term and long term loans	63,104	135,805	381,742	<b>580,651</b>
Trade payables and other current liabilities	52,374	186,617	-	<b>238,991</b>
Amounts due to related parties	-	942	-	<b>942</b>
Lease liabilities	48,185	85,864	944,541	<b>1,078,590</b>
	<b>163,663</b>	<b>409,228</b>	<b>1,326,283</b>	<b>1,899,174</b>
<b>2020</b>				
Short term and long term loans	151,815	172,707	407,514	732,036
Trade payables and other current liabilities	46,836	173,510	-	220,346
Amounts due to related parties	-	6,392	-	6,392
Lease liabilities	164,675	101,745	941,828	1,208,248
	<b>363,326</b>	<b>454,354</b>	<b>1,349,342</b>	<b>2,167,022</b>

**30 SIGNIFICANT EVENT**

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a second, third and fourth wave of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia (the "Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government. The Government has approved number of vaccines for mass immunization. The drive is in full swing and majority of the population has been vaccinated.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

**31 SUBSEQUENT EVENTS**

No significant subsequent events have occurred since 31 December 2021 that would have a material impact on the financial position or financial performance of the Group.

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**32 COMPARATIVE INFORMATION**

Certain amounts in the prior period have been reclassified in order to conform to the presentation for the current year.

**33 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved by the Board of Directors on 25 Sha'ban 1443H (corresponding to 28 March 2022).