

**ABDULMOHSEN AL-HOKAIR GROUP FOR
TOURISM AND DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AND REPORT ON
REVIEW FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2023**

**Abdulmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements (Unaudited)
For the three-month period ended 31 March 2023**

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Report on review of the condensed consolidated interim financial statements

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abdulmohsen Al-Hokair Group for Tourism and Development Company (the “Company”) and its subsidiaries (the “Group”) as at 31 March 2023 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in shareholders’ equity and cash flows for the three-month period then ended and other explanatory notes. The Board of directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter

We draw attention to Note 2 to the accompanying condensed consolidated interim financial statements, which indicates that the Group incurred a net loss of Saudi Riyals 34.34 million for the three month period ended 31 March 2023 resulting in accumulated losses of Saudi Riyals 58.96 million as at 31 March 2023. In addition, the Group’s current liabilities exceeded its current assets by Saudi Riyals 261.30 million as at that date. The Group is mainly dependent on the successful execution of its business plans to generate sufficient cash flows and ability to continue renewing the existing bank facility arrangements on expiry or if there is a debt covenant breach so as to enable it to both meet its obligations as they fall due and maintain the continuity of its operations without significant curtailment. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers


Khalid A. Mahdhar
License No. 368

30 May 2023

Abdulmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in thousands Saudi Riyal unless otherwise stated)

		31 March, 2023 SR '000 <u>(Unaudited)</u>	31 December, 2022 SR '000 <u>(Audited)</u>
Note			
ASSETS			
Non-current assets			
	6	774,333	779,812
Property, equipment and projects under construction			
	5	108,972	105,632
Investments in joint ventures			
		8,305	8,530
Intangible assets			
		10,847	10,734
Long - term loans to a joint venture			
	7	873,067	857,956
Right of use assets			
Total non-current assets		1,775,524	1,762,664
Current assets			
		22,758	19,530
Inventories			
		93,719	92,413
Trade receivables			
		154,644	137,072
Prepayments and other current assets			
		10,155	10,053
Financial asset held at FVTPL			
		41,673	45,206
Cash and cash equivalents			
Total current assets		322,949	304,274
Total assets		2,098,473	2,066,938
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	11	315,000	315,000
Share capital			
		(659)	(219)
Other reserves			
	2	(58,958)	(24,615)
Accumulated losses			
Net shareholders' equity		255,383	290,166
Liabilities			
Non-current liabilities			
	8	333,672	340,953
Non-current portion of long-term loans			
	9	876,641	853,857
Non-current portion of lease liabilities			
		48,531	48,519
Employees' terminal benefits liabilities			
Total non-current liabilities		1,258,844	1,243,329
Current liabilities			
		284,048	244,063
Trade payables and other current liabilities			
	8	178,246	168,018
Short term loans and current portion of long-term loans			
	9	115,092	114,502
Current portion of lease liabilities			
	10	6,860	6,860
Provision for zakat			
Total current liabilities		584,246	533,443
Total liabilities		1,843,090	1,776,772
Total shareholders' equity and liabilities		2,098,473	2,066,938

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Abdulmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive income
(All amounts in thousands Saudi Riyal unless otherwise stated)

	Notes	For the three-month period ended 31 March	
		2023 SR '000	2022 SR '000
		Unaudited	
Revenue from contracts with customers			(Restated)*
Hotels		96,702	97,195
Entertainment		59,327	65,895
Others		7,809	9,287
Total revenue		163,838	172,377
Direct costs			
Hotels		(74,732)	(80,341)
Entertainment		(53,699)	(54,432)
Others		(10,192)	(10,128)
Total direct costs		(138,623)	(144,901)
Gross profit		25,215	27,476
Selling and marketing expenses		(6,863)	(7,783)
General and administration expenses		(33,260)	(37,346)
Gain on disposal of property and equipment		24	85
Other income		158	1
(Provision for) /reversal of impairment loss on trade receivables and related party receivables		(2,469)	67
Net expenses		(42,410)	(44,976)
Operating loss		(17,195)	(17,500)
Financial charges on loans		(9,215)	(4,775)
Financial charges on lease liabilities	9	(11,139)	(10,168)
Income from financial asset held at FVTPL		102	-
Share of net results of joint ventures	5.1	3,104	454
Loss before zakat		(34,343)	(31,989)
Zakat	10	-	-
Net loss for the period		(34,343)	(31,989)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations, net of zakat		103	(207)
Items that will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(543)	(634)
Other comprehensive loss for the period		(440)	(841)
Total comprehensive loss for the period		(34,783)	(32,830)
Losses per share:			
Basic and diluted losses per share (SR)	13	(1.09)	(1.02)

* Refer to Note 18 for more details about the restatement for the comparative figures.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

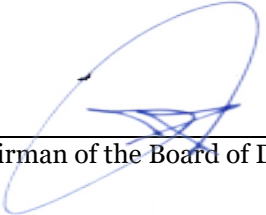
Abdulmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in shareholders' equity
(All amounts in thousands Saudi Riyal unless otherwise stated)

	Share capital	Other reserves	Accumulated losses	Net shareholders' equity
	SR '000	SR '000	SR '000	SR '000
<u>For the three-month period ended 31 March 2023</u>				
At the beginning of the period (audited)	315,000	(219)	(24,615)	290,166
Net loss for the period	-	-	(34,343)	(34,343)
Other comprehensive loss for the period	-	(440)	-	(440)
Total comprehensive loss for the period	-	(440)	(34,343)	(34,783)
At the end of the period (unaudited)	315,000	(659)	(58,958)	255,383

For the three-month period ended 31 March 2022

At the beginning of the period (audited)	650,000	171	(272,291)	377,880
Correction of errors (note 18)	-	-	(5,836)	(5,836)
At the beginning of the period (Restated – note 18)	650,000	171	(278,127)	372,044
Net loss for the period	-	-	(31,989)	(31,989)
Other comprehensive loss for the period	-	(841)	-	(841)
Total comprehensive loss for the period	-	(841)	(31,989)	(32,830)
At the end of the period (unaudited)	650,000	(670)	(310,116)	339,214

* Refer to Note 18 for more details about the restatement for the comparative figures.


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

The attached notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Abdalmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in thousands Saudi Riyal unless otherwise stated)

	Note	For the three- month period ended 31 March,	
		2023 SR'000	2022 SR'000
		Unaudited	
		(Restated*)	
Operating activities			
Loss before zakat		(34,343)	(31,989)
<i>Adjustments for:</i>			
Depreciation of property and equipment	6.1	31,222	33,736
Amortization of Intangible assets		387	424
Depreciation of right of use assets	7	24,279	22,901
Provision for/(Reversal of) of impairment loss on trade receivables		2,469	(67)
Provision for slow moving inventory		24	137
Share in net results of joint ventures	5.1	(3,104)	(454)
Gain on disposal of property and equipment		(24)	(85)
Financial charges on loans		9,215	4,775
Financial charges on lease liabilities		11,139	10,168
Finance income from joint venture		(113)	-
Income from financial asset held at FVTPL		(102)	-
Employees' terminal benefits liabilities		2,597	2,603
		43,646	42,149
<i>Changes in working capital:</i>			
Trade receivables		(3,775)	5,864
Prepayments and other current assets		(17,808)	(19,417)
Inventories		(3,252)	216
Trade Payables and other current liabilities		39,985	12,987
Cash from operating activities		58,796	41,799
Employees' terminal benefits paid		(2,482)	(2,833)
Net cash generated from operating activities		56,314	38,966
Investing activities			
Additions to property, equipment and projects under construction	6	(26,330)	(3,033)
Additions to intangible assets		(162)	(162)
Proceeds from disposal of property and equipment		30	125
Additions to investments in joint ventures		-	(150)
Long term loans to a joint venture		-	(4,200)
Net cash used in investing activities		(26,462)	(7,420)
Financing activities			
Proceeds from loans		63,775	49,173
Repayment of loans		(60,168)	(66,687)
Payment of lease liabilities	9	(27,155)	(25,892)
Finance costs paid		(9,875)	(4,568)
Net cash used in financing activities		(33,423)	(47,974)
Net decrease in cash and cash equivalents		(3,571)	(16,428)
Exchange differences on translation of foreign operations		38	(634)
Cash and cash equivalents at the beginning of the period		45,206	171,461
Cash and cash equivalents at the end of the period		41,673	154,399

* Refer to Note 18 for more details about the restatement for the comparative figures.

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

**Abdulmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month period ended 31 March 2023**

1 General 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 registered address of the Group is Al Murooj District North Ring Road between exit 4 and 5 after Double Tree Hilton P.O. Box 57750 Riyadh 11584.

The Company and its subsidiaries that are 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 mall.
- Restaurants, parks and similar facilities.

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

Subsidiary	Direct and indirect Ownership %		Principal activity	Country of incorporation
	31 March 2023	31 December 2022		
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 Group, the non-controlling interest is insignificant and therefore not disclosed. All of the above-mentioned subsidiaries have been consolidated.

2 Going concern

The condensed consolidated interim financial statements as at 31 March 2023 indicate that the Group incurred a net loss of Saudi Riyals 34.34 million for the three month period ended 31 March 2023 resulting in accumulated losses of Saudi Riyals 58.96 million as at 31 March 2023. Further, the current liabilities of the Group exceeded its current assets by Saudi Riyals 261.30 million as at 31 March 2023 (31 December 2022: Saudi Riyals 229.17 million). These conditions indicate the existence of a material uncertainty that may cast a doubt on the Group's ability to continue as a going concern.

Management assessed the Group's ability to successfully meet its business plan and to generate sufficient cash flows to meet its obligations for the next 12 months and to continue its operations without a significant curtailment. In preparing the forecast, management has considered all reasonably probable cash flows with such timing and amount as supported by the circumstances and facts available as of the date of the approval of these condensed consolidated interim financial statements. In preparing the business plan the management considered the following factors:

**Abdulmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month period ended 31 March 2023**

2 Going concern (continued)

1. The Group was able to settle all its maturing loans with original due dates in the first quarter of 2023 amounting to SAR 70 million and the same level of commitment is included in the plan for the next 12 months for loans amounting to SAR 178.25 million.
2. The Group was able to renew all bank facilities historically and despite the fact that the Group did not achieve the targets of certain loan covenants, it was not in breach of the covenants as the Group obtained waivers from the relevant banks prior to year end, which supports the Group's ability to utilize the available facilities and its revolving credit lines during the next 12 months.
3. The Group continued to generate positive cash flows from its operating activities and it generated SAR 56.31 million during the first quarter of 2023 (SAR 38.9 million during three month period ended 31 March 2022) and management believe that the Group will be able to generate positive cash flows in its plan for next 12 months from the balance sheet date.
4. The Group has absorbed the accumulated losses as of 30 September 2022 through a capital reduction amounting to SAR 335 million pursuant to the approval of its extraordinary general assembly held on 6 October 2022.
5. The Group achieved positive EBITDA for the three months period ended 31 March 2023.

Based on the above plan, the Group's cash flow forecast for the 12 month period from the reporting date shows a net positive cash flow position and the Group's management believe that it would be able to generate sufficient cash flows to enable it to meet its obligations as they fall due for the next 12 months from the date of these condensed consolidated interim financial statements considering the above mentioned factors. However, there is a continued dependence on the successful outcome of the following:

- The Group's ability to successfully meet its business plan and to generate sufficient cash flows to meet its obligations for the next 12 months from the date of approval of these condensed consolidated interim financial statements.
- Ability to continue renewing the existing bank facility arrangements once they expire or if there is a debt covenant breach.
- Ability to continue to use the unutilized facilities as of 31 March 2023 which the Group has eligibility to withdraw;
- Ability to roll-over the revolving facilities as they mature.

Accordingly, management continues to believe that it remains appropriate to prepare the consolidated financial statements on a going concern basis. Therefore, the condensed consolidated interim financial statements have been prepared on a going concern basis.

**Abdalmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month period ended 31 March 2023**

3 Significant accounting policies

3.1 Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These condensed consolidated interim financial statements should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2022 and do not include all of the information required for a complete set of financial statements under International Financial Reporting Standards "IFRS" as endorsed in the kingdom of Saudi Arabia. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's condensed consolidated interim financial position and performance since the last annual audited consolidated financial statements. The interim results may not be an indicator of the annual results of the Group.

3.2 Historical cost convention

The condensed consolidated interim financial statements have been prepared under the historical cost convention. Except for employees' terminal benefits liabilities that are recognized at the present value of future obligations using the Projected Unit Credit Method.

3.3 Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Riyal (SR) which is also the group functional currency and all values are rounded to the nearest thousand (SR 000), except when otherwise indicated.

3.4 Consistent application of accounting policies

The accounting policies applied during the preparation of these condensed consolidated interim financial statements are the same policies applied during the preparation of the annual financial statements of the Group for the year ended 31 December 2022 and corresponding interim reporting period except for the new accounting policies introduced as adoption of the following amendments to IFRS which became applicable for annual reporting periods commencing on or after 1 January 2023.

The management has assessed that the amendments have no significant impact on the Group's condensed consolidated interim financial statements.

New standards, interpretations and amendments adopted by the Company

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The standards and amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

**Abdalmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month period ended 31 March 2023**

3 Significant accounting policies (continued)

3.5 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

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

4 Significant judgments, assumptions and estimates

In preparing these condensed consolidated interim financial statements, management has made certain 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.

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

4 Significant judgments, assumptions and estimates (continued)

Going concern

The condensed consolidated interim 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. Refer to Note 2 for further details.

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

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

The Company has lease contracts that include extension and termination options. The Company 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 Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Other significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual audited financial statements for the year ended December 31, 2022.

Abdulmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month period ended 31 March 2023

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 the condensed consolidated interim financial statements.

	Ownership			
	31 March	31 December	31 March	31 December
	2023	2022	2023	2022
	%	%	SR '000	SR '000
<u>Joint Ventures</u>				
Tourism and Real Estate Development Company	48.5	48.5	66,438	65,338
Asateer Company for Entertainment Projects Limited	50.0	50.0	19,097	18,272
Luxury Entertainment Company	31.0	31.0	14,854	16,691
Al Qaseem Trading Company Limited	50.0	50.0	8,230	4,695
Asateer Gulf Sports Company Limited	33.33	33.33	353	353
Tarfeeh Company for Tourism and Projects Limited	50.0	50.0	-	283
			108,972	105,632

5.1 Movement in the investments in joint ventures:

	For the three-month period ended 31 March 2023	For the year ended 31 December 2022
	SR '000	SR '000
At the beginning of the period/year	105,632	101,233
Additions during the period/year	-	150
Share in net results	3,104	389
Share in other comprehensive income items	-	(129)
Transferred from loans to a joint venture	-	16,471
Absorption of losses	236	198
Dividends	-	(12,630)
Disposal	-	(50)
At the end of the period/year	108,972	105,632

Abdulmohsen Al-Hokair Group for Tourism and Development Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month period ended 31 March 2023

6 Property, equipment and projects under construction

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		

	Buildings and improvements	Entertainment equipment	Furniture and fixtures	Motor vehicles	Air conditioners	Computers	Tools	Projects under construction	Total
31 March 2023	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:									
At the beginning of the period	1,059,107	634,416	257,831	24,956	84,582	60,948	148,179	27,815	2,297,834
Additions	1,849	10,355	342	71	1,301	243	106	12,063	26,330
Disposals	-	(643)	(5,789)	(144)	(264)	(380)	(3,837)	-	(11,057)
Transfer from projects under construction	209	-	66	-	258	53	2,349	(2,935)	-
Exchange difference	(177)	(534)	(2)	(10)	-	(29)	-	(31)	(783)
At the end of the period	1,060,988	643,594	252,448	24,873	85,877	60,835	146,797	36,912	2,312,324
Depreciation:									
At the beginning of the period	505,206	522,567	224,527	24,472	64,727	57,772	118,127	624	1,518,022
Charge for the period	14,485	8,546	4,148	37	1,401	514	2,091	-	31,222
Disposals	-	(640)	(5,787)	(144)	(264)	(379)	(3,837)	-	(11,051)
Exchange difference	(45)	(137)	(2)	(8)	-	(10)	-	-	(202)
At the end of the period	519,646	530,336	222,886	24,357	65,864	57,897	116,381	624	1,537,991
Net book values:									
As at 31 March 2023	541,342	113,258	29,562	516	20,013	2,938	30,416	36,288	774,333

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6 Property, equipment and projects under construction (continued)

	Buildings and improvements	Entertainment equipment	Furniture and fixtures	Motor vehicles	Air conditioners	Computers	Tools	Projects under construction	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
31 December 2022									
Cost:									
At 1 January 2022	1,112,996	653,924	278,864	27,272	94,912	64,150	170,189	10,378	2,412,685
Additions	11,478	10,246	2,086	253	1,246	774	128	27,969	54,180
Disposals and write offs (*)	(69,250)	(28,744)	(23,660)	(2,741)	(12,087)	(4,645)	(24,051)	(2,067)	(167,245)
Transfer from projects under construction	4,415	102	547	204	511	708	1,913	(8,400)	-
Exchange difference	(532)	(1,112)	(6)	(32)	-	(39)	-	(65)	(1,786)
At 31 December 2022	1,059,107	634,416	257,831	24,956	84,582	60,948	148,179	27,815	2,297,834
Depreciation:									
At 1 January 2022	499,280	512,322	229,541	27,011	68,133	58,287	129,518	2,691	1,526,783
Charge for the year	58,318	38,028	17,285	221	6,845	3,047	8,662	-	132,406
Disposals and write-offs (*)	(52,311)	(27,488)	(22,295)	(2,741)	(10,251)	(3,545)	(20,053)	(2,067)	(140,751)
Exchange difference	(81)	(295)	(4)	(19)	-	(17)	-	-	(416)
At 31 December 2022	505,206	522,567	224,527	24,472	64,727	57,772	118,127	624	1,518,022
Net book values:									
As at 31 December 2022	553,901	111,849	33,304	484	19,855	3,176	30,052	27,191	779,812

(*) During the year 2022, the Group has disposed of assets of a certain hotel, due to the termination of lease agreement. In addition, on July 19, 2022, the municipality of Jeddah notified the Group's parent company (Abdulmohsen Abdulaziz Al Hokair Group), to evacuate a hotel which the parent Company owns and leases to the Group. The hotel is on a piece of land which the municipality of Jeddah intends to develop. As a result, the Group assessed the financial impact of expropriation of the hotel and recorded a write-off loss equivalent to its carrying value amounting to SR 23.6 million. Furthermore, the Group and its Parent Company has entered into a lease termination agreement dated 6 September 2022 whereby it was agreed that the Parent Company will compensate the Group with an amount of SR 23.6 million as a result of the lease termination and the expropriation of the hotel by the municipality of Jeddah.

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6 Property, equipment and projects under construction (continued)

6.1 The depreciation charge has been allocated within the condensed consolidated interim statement of comprehensive income as follows:

	31 March 2023	31 December 2022
	SR '000	SR '000
Direct costs	30,163	127,528
General and administration expenses	1,059	4,878
	31,222	132,406

7 Right-of-use assets

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

<u>March 31, 2023</u>	Land	Buildings and offices	Spaces in malls	Residential units	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:					
At the beginning of the period	232,397	328,275	663,058	11,951	1,235,681
Modification of leases	34,282	-	5,108	-	39,390
At the end of the period	266,679	328,275	668,166	11,951	1,275,071
Accumulated amortization:					
At the beginning of the period	47,175	96,461	223,507	10,582	377,725
Charge during the period	5,422	4,957	13,605	295	24,279
At the end of the period	52,597	101,418	237,112	10,877	402,004
Net book values:					
As at 31 March 2023	214,082	226,857	431,054	1,074	873,067

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7 Right-of-use assets (continued)

31 December 2022	Land	Buildings and offices	Spaces in malls	Residential units	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:					
At 1 January 2022	208,858	317,723	583,363	11,951	1,121,895
Additions	23,539	13,754	129,300	-	166,593
Terminations	-	(3,202)	(29,045)	-	(32,247)
Modification of leases	-	-	(20,560)	-	(20,560)
At 31 December 2022	232,397	328,275	663,058	11,951	1,235,681
Depreciation:					
At 1 January 2022	33,869	74,599	179,099	8,904	296,471
Charge for the year	13,306	24,601	50,010	1,678	89,595
Termination	-	(2,739)	(5,602)	-	(8,341)
At 31 December 2022	47,175	96,461	223,507	10,582	377,725
Net book values:					
As at 31 December 2022	185,222	231,814	439,551	1,369	857,956

8 Loans

Loans represent Murabaha financing obtained from local banks with a commission linked to SIBOR plus the agreed margin. The commission varies between the loans and depends on the contractual provisions of each agreement. The weighted average commission (based on the carrying amount of the loans as of 31 March 2023) is SAIBOR plus 2.2% and is equivalent to the market interest rates.

The following is a summary of the loans:

	31 March 2023	31 December 2022
	SR '000	SR '000
Current portion of long-term loans	158,111	147,663
Short term loans	20,135	20,355
	178,246	168,018
Non-current portion of long-term loans	333,672	340,953
	511,918	508,971

(a) The movement in the loans is as follows:

	31 March 2023	31 December 2022
	SR '000	SR '000
At the beginning of the period/year	508,971	554,247
Proceeds during the period/year	63,775	210,483
Financial charges for the period/year	9,215	-
Repayments during the period/year	(60,168)	(255,759)
Finance cost paid during the period/year	(9,875)	-
	511,918	508,971

(i) The loan agreements contain covenants, 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 unless the testing of covenant is waived. As of March 31, 2023, the Group did not achieve the targets for certain loan covenants but has obtained waivers from the relevant banks prior to the period end and testing date which exempted the group from the requirement to test the covenants in that period. Accordingly, the group was not in breach of the covenants requirements and retained the legal right to make the loan repayments in accordance with the schedule as described in the loan agreements.

(ii) The management assessed that fair value of the loans approximate their carrying amounts.

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9 Lease liabilities

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

	31 March 2023	31 December 2022
	SR '000	SR '000
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Within one year	152,969	143,331
After one year but not more than five years	466,350	453,995
More than five years	621,267	608,210
Total undiscounted lease liabilities	1,240,586	1,205,536

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

	31 March 2023	31 December 2022
	SR '000	SR '000
<i>Lease liabilities included in the condensed consolidated interim statement of financial position</i>		
Current portion of lease liabilities	115,092	114,502
Non-current portion of lease liabilities	876,641	853,857
	991,733	968,359

	For the three-month period ended 31 March, 2023	2022
	SR '000	SR '000
<i>Amounts recognised in the interim condensed consolidated statement of comprehensive income:</i>		
Financial charges on lease liabilities	11,139	10,168
Variable lease payments not included in the measurement of lease liabilities	14,142	13,961
Expenses relating to short term leases	2,145	2,436

As mentioned in Note 7, the Group leases several assets including land, building, spaces in malls and residential units. These contracts are typically made for fixed periods from 5 to 20 years. However, 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.

Some hotel property leases contain variable payment terms that are linked to sales generated from a hotel with percentages 20% of sales. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. A 10% increase in sales across all hotels in the Group with such variable lease contracts would increase total lease payments by approximately SR 1.3 million (31 December 2022: SR 4.9 million).

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9 Lease liabilities (continued)

Movement in lease liabilities during the three-month period ended 31 March 2023 and year ended 31 December 2022 is as follows:

	31 March 2023	31 December 2022
	SR '000	SR '000
At the beginning of the period/year	968,359	936,246
Additions during the period/year	-	166,593
Financial charges for the period / year	11,139	34,638
Repayments during the period / year	(27,155)	(111,614)
Rent concession during the period/year	-	(6,368)
Modifications during the period/year	39,390	(20,560)
Terminations during the period/year	-	(30,576)
At the end of the period/year	991,733	968,359
Current portion	115,092	114,502
Non-current portion	876,641	853,857

10 Zakat

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

During the current year, management expects the Group's zakat base to be negative at year end and thus will not be subject to zakat.

The Group has filed its zakat returns with ZATCA for all the years up to 2022. The Group obtained the final zakat assessments for the years from 2014 to 2017. In addition, Zakat assessments for the years from 2018 to 2020 were received by the Group.

11 Share capital

The authorized, issued and fully paid share capital of the Company consists of 31.5 million share of SR 10 each (31 December 2022: 31.5 million share of SR 10 each).

On 10 Rabi' Al Awwal 1444H (corresponding to October 6, 2022), the extraordinary general assembly agreed to reduce the company's capital from SR 650 million to SR 315 million, with a decrease of 51.54%, thus reducing the number of the company's shares from 65 million shares to 31.5 million shares by canceling 33.5 million shares of the issued company's shares, and this approval was announced on the website of the Capital Market Authority and the Saudi Exchange website.

12 Related party transactions and balances

12.1 Related party transactions

The following are the details of major related party transactions:

		Amount of transactions for the three - month period ended 31 March	
		2023	2022
Related Parties	Nature of transaction	SR '000	SR '000
Abdalmohsen Abdulaziz Al Hokair Group (Ultimate parent)	Rent expense/Lease payments (a)	16,589	16,442
	Revenue	498	807
Members of Board of Directors	Salaries and related benefits (b)	446	446
	Post-employment benefits	40	40
Joint venture	Management fees income	86	96
	Loan	-	4,200
	Interest on loan	113	-
Under common control	Rent expense/Lease payments (a)	1,911	1,895
	Revenue	417	207
Key management executives	Salaries and related benefits (b)	247	670
	Post-employment benefits	11	30

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12 Related party transactions and balances (continued)

12.1 Related party transactions (continued)

- a) This amount represents lease/rent payments for 30 properties (2022: 33 properties) that are leased by the Group from the principal shareholder (Abdulmohsen Abdul Aziz Al Hokair Holding Group Company) and Under common control .
- b) 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) and the board of members of the company. Salaries and related benefits of SR 446 thousand (2022: SR 446 thousand) were paid to one member of the Board of Directors who is involved in the management of the Company. In addition to the above, salaries and related benefits of SR 247 thousand (2022: SR 670 thousand) were paid to one (2022: two) key management executives of the Group.

12.2 Terms and conditions relating to related party balances

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

12.3 Related party balances

The following are the details of major related party balances as of 31 March 2023 and 31 December 2022:

	31 March 2023 SR '000	31 December 2022 SR '000
<i>i) Amounts due from related parties</i>		
Ultimate parent	35,475	36,751
Asateer Gulf Sports Company Limited (a joint venture)	5,164	3,751
Asateer Company for Entertainment Projects Limited (a joint venture)	2,796	2,892
Tarfeeh Company for Tourism Projects Limited (a joint venture)	1,400	1,620
Mena company for Education and Development (Under common control)	911	695
Naqaha Healthcare Company Limited (Under common control)	109	109
Others	1,587	1,610
	47,442	47,428
	31 March 2023 SR '000	31 December 2022 SR '000
<i>ii) Amounts due to related parties</i>		
Tanami Arabia Co. Ltd. (Under common control)	6,524	8,024
Al Qaseem Trading Company Limited (a joint venture)	692	692
Riyadh Plastic Factory (Under common control)	461	662
	7,677	9,378

13 Basic and diluted losses per share

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

Diluted losses per share are calculated by dividing the net loss for the period 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 period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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13 Basic and diluted loss per share (continued)

The following table reflects the loss per share calculation:

	For the three - month period ended 31 March	
	2023 SR '000	2022 SR '000
Loss for the period	(34,343)	(31,989)
Weighted average number of ordinary shares outstanding during the period (Note 11) *	Thousands 31,500	Thousands 31,500
Basic and diluted loss per share	SR (1.09)	SR (1.02)

* The weighted average number of ordinary shares outstanding during the period has been retrospectively adjusted on all presented periods to reflect the impact of the reduction in share capital that was approved on 6 October 2022.

14 Commitments and contingencies

14.1 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 its legal counsel, the Group's management does not expect that these will have a material adverse effect on its consolidated financial position or results of operations as adequate provision was made in the condensed consolidated interim financial statements.

14.2 Capital commitments

As at 31 March 2023, the Group has capital commitments of SR 110 million (31 December 2022: SR 109 million) related to projects under constructions.

14.3 Letters of credit and guarantee

As at 31 March 2023, the Group had outstanding letters of credit and guarantee amounting to SR 4.6 million (31 December 2022: SR 7.1 million).

15 Segmental information

The Executive Management 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 and measured consistently.

15.1 The Group's reportable segments under IFRS 8:

Hotels: engaged in hotel, tourism, health resorts, furnished apartments, restaurants and cafes.

Entertainment: 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.

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.

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15 Segmental information (continued)

15.1 The Group's reportable segments under IFRS 8: (continued)

Following is a summary of key financial information for the three-month period ended 31 March 2023 and 2022 and 31 December 2022:

31 March 2023

SR 'ooo	Hotels	Entertainment	Others	Total
Revenue	96,702	59,327	7,809	163,838
Depreciation of property and equipment	(13,766)	(13,746)	(2,651)	(30,163)
Depreciation of right of use assets	(3,727)	(16,265)	(3,898)	(23,890)
Other direct costs	(57,239)	(23,688)	(3,643)	(84,570)
Gross profit/ (loss)	21,970	5,628	(2,383)	25,215
Expenses	(21,761)	(10,660)	(7,702)	(40,123)
Finance cost charges	(4,379)	(11,322)	(4,653)	(20,354)
Gain on disposal of property and equipment	7	17	-	24
Other income, net	2	43	113	158
Income from financial asset held at FVTPL	-	-	102	102
Share in net results of joint ventures	-	-	3,104	3,104
Impairment of financial assets	(830)	(523)	(1,116)	(2,469)
Net loss	(4,991)	(16,817)	(12,535)	(34,343)

Property, equipment and projects under construction	334,055	329,290	110,988	774,333
Right of use assets	203,156	448,528	221,383	873,067
Investments in joint ventures	-	-	108,972	108,972
Total assets	713,978	900,354	484,141	2,098,473
Total liabilities	523,770	917,693	401,627	1,843,090

31 March 2022

SR 'ooo	Hotels	Entertainment	Others	Total
Revenue	97,195	65,895	9,287	172,377
Depreciation of property and equipment	(14,694)	(16,435)	(1,385)	(32,514)
Depreciation of right of use assets	(5,118)	(16,121)	(1,273)	(22,512)
Other direct costs	(60,529)	(21,876)	(7,470)	(89,875)
Gross profit/ (loss)	16,854	11,463	(841)	27,476
Expenses	(23,134)	(11,929)	(10,066)	(45,129)
Financial charges	(3,845)	(9,795)	(1,303)	(14,943)
Gain/(loss) on disposal of property and equipment	100	(15)	-	85
Other income, net	1	-	-	1
Share in net results of joint ventures	-	-	454	454
Impairment of financial assets	214	(83)	(64)	67
Net loss	(9,810)	(10,359)	(11,820)	(31,989)

31 December 2022

SR 'ooo	Hotels	Entertainment	Others	Total
Property, equipment and projects under construction	343,625	319,936	116,251	779,812
Right of use assets	206,883	448,213	202,860	857,956
Investments in joint ventures	-	-	105,632	105,632
Total assets	719,230	870,014	477,694	2,066,938
Total liabilities	540,211	914,815	321,746	1,776,772

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15 Segmental information (continued)

15.1 The Group's reportable segments under IFRS 8: (continued)

In addition to the above segment reporting. The Company's revenue is generated from the following subsidiaries and locations:

31 March 2023	Kingdom of Saudi Arabia SR '000	United Arab Emirates SR '000	Arab Republic of Egypt SR '000	Total SR '000
The Company	157,075	-	-	157,075
Osool Al Mazaya Hospitality Company	643	-	-	643
Sparky's Land Amusement Toys Company	-	5,777	-	5,777
Asateer Company for Entertainment and Tourism	-	-	343	343
Total revenue	157,718	5,777	343	163,838

31 March 2022	Kingdom of Saudi Arabia SR '000	United Arab Emirates SR '000	Arab Republic of Egypt SR '000	Total SR '000
The Company	166,928	-	-	166,928
Osool Al Mazaya Hospitality Company	317	-	-	317
Sparky's Land Amusement Toys Company	-	4,605	-	4,605
Asateer Company for Entertainment and Tourism	-	-	527	527
Total revenue	167,245	4,605	527	172,377

15.2 Credit exposure by operating segments is as follows:

31 March 2023 SR '000	Hotels	Entertainment	Others	Total
Assets	142,157	21,508	36,818	200,483
Commitments and contingencies	24,145	89,564	476	114,185

31 December 2022 SR '000	Hotels	Entertainment	Others	Total
Assets	140,338	12,247	46,742	199,327
Commitments and contingencies	24,645	91,145	477	116,267

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

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16 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 mainly consist of bank balances, trade receivables, contract assets and amounts due from related parties. Its financial liabilities mainly consist of term loans, payables, accruals and amounts due to related parties.

The management has assessed that fair value of bank balances, trade receivables, contract assets and 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.

17 Financial Instruments

Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit and loss comprises the following:

	31 March 2023 SR '000	31 December 2022 SR '000
Investment in debt instrument (Mutual fund)	10,155	10,053
	10,155	10,053

The movements in carrying amount were as follows:

	31 March 2023 SR '000	31 December 2022 SR '000
At the beginning of the period/year	10,053	-
Additions during the period/year	-	10,000
Change in fair value	102	53
	10,155	10,053

18 Restatement

Management has re-evaluated the accounting treatment of certain transactions and balances recorded in the condensed consolidated interim financial statements in the prior years to determine if such transactions and balances have been accounted for appropriately under International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia. Where necessary, adjustments were made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

Furthermore, the Group reassessed presentations of certain items in the primary condensed consolidated interim financial statements to ensure that the proposed presentations were consistent with the requirements of IAS 1 "Presentation of financial statements" as endorsed in the Kingdom of Saudi Arabia.

The details of each of such restatements and reclassifications have been set out below with the related financial impact in the tables showing the impact of the restatement to comparative information.

18 Restatement (continued)

18.1 Restatement (1)

During the prior period, the management identified that useful lives of certain leasehold improvements were not consistent with the lease terms determined in accordance with IFRS 16 - Leases ("IFRS 16") as endorsed by the Kingdom of Saudi Arabia. In a number of cases, the lease terms were found to be significantly shorter than the expected useful lives of the underlying leasehold improvements and other assets (such as buildings) located within the leased premises. Management has a strong intention to utilise the assets in the course of the Group's business until the end of their useful lives. Accordingly, the Group has significant economic incentives to renew or extend the leases by either utilising the extension options or by negotiating a new lease term.

After careful examination of each lease contract, historic experience and the applicable norms, sharia principles, laws and regulations endorsed by the Government of the Kingdom of Saudi Arabia, the Group has concluded that it will have a practical ability and is reasonably certain to either exercise the extension option (where such options were explicitly prescribed) or to extend the lease term (where extension options were not explicitly prescribed). The ability to exercise an option to extend the lease term was present at the date of adoption of IFRS 16 on 1 January 2019 and should have been considered when defining the lease term for the respective contracts.

As such, as of the adoption date and for the contracts concluded subsequently, the lease liability should include any extension options which were considered reasonably certain would be exercised. Accordingly, the management reassessed the lease term for the relevant contracts starting from the 1 January 2019 to realign them with the requirements of IFRS and where required the lease liability was adjusted accordingly.

18.2 Restatement (2)

It has been noted by the management that amortisation of intangible assets was included into depreciation of property, equipment and projects under construction and recorded in direct costs. In relation to intangible assets attributable to ERP systems and in the overall reassessment of the requirements of IAS 1, management identified that intangible assets relating to the IT infrastructure are not directly related to revenue generating activities. Accordingly, amortisation of intangible assets should have been recorded as a part of general and administrative instead of direct costs.

18.3 Restatement (3)

The management identified that depreciation related to the mechanical rides was erroneously recorded within the general and administrative expenses. Mechanical rides are directly related to revenue generating activities within the entertainment segment and therefore depreciation on those assets should be recorded in direct costs.

18.4 Restatement (4)

The management has noted that depreciation related to right-of-use assets for management offices was erroneously recorded in direct costs. The management offices are not directly related to revenue generating activities but primarily used for the general and administrative purposes. Accordingly, depreciation on those assets should have been included in general and administrative expenses.

18.5 Restatement (5)

This represents the reclassification of other income from below operating losses line to above the line in the expenses section. Other expenses relate to lease termination gains for properties which were exited in 2022 and write offs in relation to certain assets. The reclassification also comprises of SAR 85 thousands expenses being reclassified from other income to "gain on disposal of property plant and equipment". The remaining amount relates to other income and has been presented as a separate line item "Lease termination gains", within operating expenses.

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18 Restatement (continued)

18.6 Restatement (6)

This represents the reclassification of impairment of financial assets which were previously included in general and administrative expenses, to a separate line item on the face of the condensed consolidated interim statement of profit or loss and other comprehensive income.

18.7 Restatement (7)

In reviewing the condensed consolidated interim statement of cash flows, management identified that the impact of employees' terminal benefits on the condensed consolidated interim statement of cash flows was not presented in compliance with IAS 7. Adjustment to profit or loss for the non cash benefit expense was erroneously offset with the amounts paid to the employees which is not in line with the requirements of IAS 7 for indirect method. The error has been corrected retrospectively by adjusting "Employees' terminal benefits liabilities, net" and "Employees' terminal benefits paid" lines in the statement.

Other adjustments

Management also reconsidered certain presentations within the condensed consolidated interim Statement of Cash flows and as a result reclassifications were made to the comparatives. Details of the reclassifications are set out below:

(i) The net cash flows from operating activities was determined by adjusting the profit / loss for the effect in operating receivables, which was presented within one line - Receivables and other current assets. In the current period, management decided to disaggregate the amount into "Trade receivables" and "Prepayments and other current assets" to make it consistent with the statement of financial position.

(ii) Finance costs paid were previously shown within the cash flows from operating activities. IFRS generally allows for a policy choice of where these costs should be recorded in the statement of cash flows as either operating or financing cash flows. Interest paid may be classified as operating cash flows because they enter into the determination of profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows because they are costs of obtaining financial resources or returns on investments. In management's view, classifying them as financing would better reflect the substance of being the costs of obtaining financial resources and provide more relevant presentation.

(iii) Additions to property, equipment and projects under construction are now presented in one line (previously presented within "Additions to property and equipment" and "Additions to projects under construction").

(iv) Loans to a joint venture were incorrectly included under prepayments and other current assets albeit the nature of the loans was different to the other items in the condensed consolidated interim of cash flows statement. Furthermore, the loans to the joint venture are investing activities while prepayment and other current assets are operating activities.

Accordingly, the comparative information has been amended to reflect those changes in the presentation.

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18 Restatement (continued)

For the three-month period ended 31 March 2022	As originally presented SR'000	Restatement (1) SR'000	Restatement (2) SR'000	Restatement (3) SR '000	Restatement (4) SR'000	Restatement (5) SR'000	Restatement (6) SR'000	As restated SR'000
Revenue								
Hotels	97,195	-	-	-	-	-	-	97,195
Entertainment	65,895	-	-	-	-	-	-	65,895
Others	9,287	-	-	-	-	-	-	9,287
Total Revenue	172,377	-	-	-	-	-	-	172,377
Direct cost								
Hotels	(80,641)	92	208	-	-	-	-	(80,341)
Entertainment	(53,124)	286	113	(1,707)	-	-	-	(54,432)
Others	(10,517)	-	-	-	389	-	-	(10,128)
Direct cost	(144,282)	378	321	(1,707)	389	-	-	(144,901)
Gross Profit	28,095	378	321	(1,707)	389	-	-	27,476
Selling and marketing expenses	(7,783)	-	-	-	-	-	-	(7,783)
General and administrative expenses	(38,276)	-	(321)	1,707	(389)	-	(67)	(37,346)
Gain on disposal of property and equipment and write off	-	-	-	-	-	85	-	85
Other income	-	-	-	-	-	1	-	1
Impairment on financial assets	-	-	-	-	-	-	67	67
Net expenses	(46,059)	-	(321)	1,707	(389)	86	-	(44,976)
Operation loss	(17,964)	378	-	-	-	86	-	(17,500)
Financial charges on loans	(4,775)	-	-	-	-	-	-	(4,775)
Finance cost on lease liabilities	(9,167)	(1,001)	-	-	-	-	-	(10,168)
Share of net results of joint ventures	454	-	-	-	-	-	-	454
Other income	86	-	-	-	-	(86)	-	-
Loss before zakat	(31,366)	(623)	-	-	-	-	-	(31,989)
Zakat	-	-	-	-	-	-	-	-
Net loss for the period	(31,366)	(623)	-	-	-	-	-	(31,989)
Total comprehensive loss for the period	(32,207)	(623)	-	-	-	-	-	(32,830)
Basic and diluted loss per share	(0.48)	(0.54)	-	-	-	-	-	(1.02)

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18 Restatement (continued)

Impact on Cash flows for the period ended 31 March 2022.

For the three-month period ended 31 March 2022	As originally presented SR'000	Restatement (1) SR'000	Restatement (2) SR'000	Restatement (7) SR'000	Others SR'000	As restated SR'000
Loss before zakat	(31,366)	(623)	-	-	-	(31,989)
Adjustments for:						
Depreciation of property and equipment	34,018	142	(424)	-	-	33,736
Amortization of intangible assets	-	-	424	-	-	424
Gain on disposal and write-off of property and equipment	(85)	-	-	-	-	(85)
Depreciation of right of use assets	23,421	(520)	-	-	-	22,901
Reversal for impairment of trade receivables and related parties receivables	(67)	-	-	-	-	(67)
Provision for slow moving inventories	137	-	-	-	-	137
Share of net results of joint ventures	(454)	-	-	-	-	(454)
Financial charges on loans	4,775	-	-	-	-	4,775
Financial charges on lease liabilities	9,167	1,001	-	-	-	10,168
Employees' terminal benefits liabilities provision	(230)	-	-	2,833	-	2,603
	39,316	-	-	2,833	-	42,149
Changes in working capital						
Trade receivables	(17,753)	-	-	-	23,617	5,864
Prepayments and other current assets	-	-	-	-	(19,417)	(19,417)
Inventories	216	-	-	-	-	216
Trade payables and other current liabilities	12,987	-	-	-	-	12,987
Net cash from operating activities	34,766	-	-	2,833	4,200	41,799
Zakat paid	-	-	-	-	-	-
Employees' terminal benefits paid	-	-	-	(2,833)	-	(2,833)
Finance cost paid	(4,568)	-	-	-	4,568	-
Net cash generated from operating activities	30,198	-	-	-	8,768	38,966

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18 Restatement (continued)

For the three-month period ended 31 March 2022	As originally presented SR'000	Restatement (1) SR'000	Restatement (2) SR'000	Restatement (7) SR'000	Others SR'000	As restated SR'000
Investing activities						
Additions to property, equipment and projects under construction	(3,195)	-	162	-	-	(3,033)
Additions to intangible assets	-	-	(162)	-	-	(162)
Proceeds from disposal of property and equipment	125	-	-	-	-	125
Additions to investments in joint ventures	(150)	-	-	-	-	(150)
Long term Loans to a joint venture	-	-	-	-	(4,200)	(4,200)
Net cash used in investing activities	(3,220)	-	-	-	(4,200)	(7,420)
Financing activities						
Proceeds from loans	49,173	-	-	-	-	49,173
Repayment of loans	(66,687)	-	-	-	-	(66,687)
Payment of lease liabilities	(25,892)	-	-	-	-	(25,892)
Finance cost paid	-	-	-	-	(4,568)	(4,568)
Net cash used in financing activities	(43,406)	-	-	-	(4,568)	(47,974)
Net (decrease) / increase in cash and cash equivalents	(16,428)	-	-	-	-	(16,428)
Exchange differences on translation of foreign operations	(634)	-	-	-	-	(634)
Cash and cash equivalents at the beginning of the period	171,461	-	-	-	-	171,461
Cash and cash equivalents at the end of the period	154,399	-	-	-	-	154,399

19 Subsequent events

The company announced the recommendation of the Board of Directors to the Extraordinary General Assembly of the company issued in its decision dated 10 April 2023 (corresponding to 19 Ramadan 1444 AH) to split the nominal value of the share from (10) ten riyals per share to (1) one riyal per share, and thus the number of the company's shares will become (315) million shares instead of (31.5) million shares, with the company's commitment to complete the necessary related procedures.

20 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved by the board of directors on 23 May 2023.