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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 June 2018

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(A Saudi Joint Stock Company)

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For the six month period ended 30 June 2018

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Independent auditor's review report on the interim condensed consolidated 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 interim condensed consolidated statement of financial position of Abdulmohsen Al Hokair Group for Tourism and Development Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2018, and the related interim condensed consolidated statement of comprehensive income income for three and six month periods ended 30 June 2018, and the related interim condensed consolidated statements of changes in shareholders' equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

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

Conclusion:

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

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

Riyadh: 18 Dhul-Qadah 1439H
(31 July 2018)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	*30 June 2018 SR '000 (Unaudited)*	*31 December 2017 SR '000 (Audited)*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**81,764**	62,045
Accounts receivable		**89,442**	80,947
Prepayments and other current assets		**202,297**	191,709
Inventories		**30,185**	29,549
TOTAL CURRENT ASSETS		**403,688**	364,250
NON-CURRENT ASSETS			
Investments in joint ventures	4	**88,109**	98,628
Property, equipment, and projects under construction	5	**1,316,713**	1,334,426
TOTAL NON-CURRENT ASSETS		**1,404,822**	1,433,054
TOTAL ASSETS		**1,808,510**	1,797,304
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Payables and other current liabilities		**343,175**	316,002
Current portion of long term loans	6	**189,370**	182,696
Provision for zakat	7	**18,472**	18,472
TOTAL CURRENT LIABILITIES		**551,017**	517,170
NON-CURRENT LIABILITIES			
Accrued rent		**103,065**	105,424
Non-current portion of long term loans	6	**428,121**	436,415
Employees' terminal benefits liabilities		**71,009**	68,686
TOTAL NON-CURRENT LIABILITIES		**602,195**	610,525
TOTAL LIABILITIES		**1,153,212**	1,127,695
SHAREHOLDERS' EQUITY			
Share capital	8	**550,000**	550,000
Statutory reserve		**71,693**	71,693
Other reserves		**(7,144)**	(7,073)
Retained earnings		**40,749**	54,989
TOTAL SHAREHOLDERS' EQUITY		**655,298**	669,609
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,808,510**	1,797,304

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six month period ended 30 June 2018

	Note	*For the three month period ended*		*For the six month period ended*	
		30 June 2018 SR '000	*30 June 2017 SR '000*	*30 June 2018 SR '000*	*30 June 2017 SR '000*
REVENUE					
- Hotels	9	**183,706**	165,936	**333,050**	311,596
- Entertainment	9	**109,656**	114,041	**217,671**	217,217
- Others		**14,255**	9,421	**27,891**	18,898
TOTAL REVENUE		**307,617**	289,398	**578,612**	547,711
DIRECT COSTS					
- Hotels		**(143,790)**	(125,307)	**(270,699)**	(239,787)
- Entertainment		**(81,785)**	(77,897)	**(158,658)**	(150,253)
- Others		**(11,912)**	(8,604)	**(22,148)**	(15,629)
TOTAL DIRECT COSTS		**(237,487)**	(211,808)	**(451,505)**	(405,669)
GROSS PROFIT		**70,130**	77,590	**127,107**	142,042
EXPENSES					
Selling and marketing		**(17,702)**	(15,576)	**(34,294)**	(28,130)
General and administration		**(53,663)**	(51,298)	**(101,399)**	(97,293)
TOTAL EXPENSES		**(71,365)**	(66,874)	**(135,693)**	(125,423)
OPERATING (LOSS) INCOME		**(1,235)**	10,716	**(8,586)**	16,619
Financial charges	6	**(5,393)**	(4,657)	**(10,947)**	(9,214)
Other income, net		**6,642**	2,538	**6,148**	6,144
Share in net results of joint ventures	4.1	**3,090**	6,472	**8,968**	9,639
INCOME (LOSS) BEFORE ZAKAT		**3,104**	15,069	**(4,417)**	23,188
Zakat	7.1	**-**	(235)	**-**	(361)
NET INCOME (LOSS) FOR THE PERIOD		**3,104**	14,834	**(4,417)**	22,827
OTHER COMPREHENSIVE LOSS					
Items to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		**-**	**-**	**(71)**	**-**
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		**-**	-	**(71)**	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**3,104**	14,834	**(4,488)**	22,827
EARNINGS (LOSS) PER SHARE:					
Basic and diluted earnings (loss) per share (SR)	12	**0.06**	0.27	**(0.08)**	0.42

The attached notes 1 to 17 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)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended 30 June 2018

	Note	*Share capital SR '000*	*Statutory reserve SR '000*	*Other reserves SR '000*	*Retained earnings SR '000*	*Total shareholders' equity SR '000*
For the six month period ended 30 June 2018						
At the beginning of the period (audited)		550,000	71,693	(7,073)	54,989	669,609
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3)		-	-	-	(7,522)	(7,522)
Impact of adopting IFRS 15 at 1 January 2018 (note 2.3)		-	-	-	(2,301)	(2,301)
Restated balance at the beginning of the period (unaudited)		550,000	71,693	(7,073)	45,166	659,786
Net loss for the period		-	-	-	(4,417)	(4,417)
Other comprehensive loss for the period		-	-	(71)	-	(71)
Total comprehensive loss for the period		-	-	(71)	(4,417)	(4,488)
At the end of the period		**550,000**	**71,693**	**(7,144)**	**40,749**	**655,298**
For the six month period ended 30 June 2017						
At the beginning of the period (audited)		550,000	72,950	-	98,379	721,329
Net income for the period		-	-	-	22,827	22,827
Total comprehensive income for the period		-	-	-	22,827	22,827
Dividends	10	-	-	-	(35,750)	(35,750)
At the end of the period (unaudited)		550,000	72,950	-	85,456	708,406

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six month period ended 30 June 2018

	Note	*For the six month period ended* 30 June 2018 SR'000	30 June 2017 SR'000
OPERATING ACTIVITIES			
(Loss) income before zakat		**(4,417)**	23,188
Adjustments for:			
Depreciation	5.1	**81,705**	75,423
Provision for doubtful debts		**1,327**	713
Provision for slow moving inventory		**112**	169
Share in net results of joint ventures	4.1	**(8,968)**	(9,639)
Gain on sale of property and equipment		**(237)**	(5,858)
Financial charges		**12,817**	11,309
Employees' terminal benefits liabilities, net		**2,286**	(2,376)
		84,625	92,929
Changes in operating assets and liabilities:			
Receivables and other current assets		**(48,554)**	(57,805)
Inventories		**(748)**	(4,312)
Payables and other current liabilities		**52,025**	62,605
Cash from operating activities		**87,348**	93,417
Financial charges paid		**(12,269)**	(11,297)
Net cash from operating activities		**75,079**	82,120
INVESTING ACTIVITIES			
Additions to property and equipment	5.1	**(32,638)**	(43,595)
Additions to projects under construction	5.4	**(32,497)**	(105,408)
Dividends received from joint ventures	4.1	**11,103**	3,404
Proceeds from sale of property and equipment		**362**	11,004
Net cash used in investing activities		**(53,670)**	(134,595)
FINANCING ACTIVITIES			
Loans and borrowings, net		**(1,619)**	86,674
Dividends paid	10	**-**	(35,750)
Net cash (used in) from financing activities		**(1,619)**	50,924
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**19,790**	(1,551)
Net foreign exchange difference		**(71)**	-
Cash and cash equivalents at the beginning of the period		**62,045**	74,578
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**81,764**	73,027
Non-cash transactions:			
Transfer from projects under construction to property and equipment	5.4	**114,616**	24,451
Absorption of losses of a joint venture	4.1	**2,366**	2,374
Dividends from a joint venture	4.1	**10,750**	-

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Abdulmohsen AI-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 mall.
- Restaurants, parks and similar facilities.

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

	Direct and indirect Ownership %			
Subsidiary	*30 June 2018*	*31 December 2017*	*Principal activity*	*Country of incorporation*
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%**	51%	Establishment and operation of sport facilities projects	Kingdom of Saudi Arabia

(*) During 2017, the Company formed Osool Al Mazaya Hospitality Company with the objectives to establish and operate sport facilities in KSA and United Arab Emirates.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in KSA.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2018. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which the control is transferred from the Company. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated income statement from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interests represent the portion of net income and of net assets attributable to interests which are not owned, directly or indirectly, by the Company or its subsidiaries and are presented separately in the interim condensed consolidated statement of comprehensive income and within shareholders' equity in the interim condensed consolidated statement of financial position, separately from equity attributable to the equity holders of the parent.

Balances between the Company and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts ("IAS 11"), IAS 18 Revenue and related Interpretations ("IAS 18") and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption and the comparative information for each of the primary financial statements were not restated and are presented based on the requirements of IAS 11, IAS 18 and related Interpretations. Further, the cumulative adjustment to the opening balance of retained earnings as at 1 January 2018 are recognised in the interim condensed consolidated statement of changes in shareholders' equity for the six month period ended 30 June 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (continued)

The Group assessment of the impact of IFRS 15 is completed and a summary of the main changes and impacts on the Group's interim condensed consolidated financial statements are as follows:

(a) Principal versus agent considerations and variable consideration:

The Group's operates a membership programme, Mazaya, (the programme) which allows customers to purchase rechargeable cards that can be used to acquire goods and services at the Group's chain of hotels. Customers are offered incentives in the form of a bonus balance that can be redeemed for free goods and services.

These rechargeable cards are sold to the end customers through authorized agents who charges a fixed commission amount to the Group.

Upon the adoption of IFRS 15, the Group determined that it controls the goods before they are transferred to customers, and hence, in this arrangement is considered as a principal. The Group has also concluded it transfers control over its services over time. The Group will recognize revenue on gross basis and commission expenses will be recognized on accrual basis and reported separately in the interim condensed consolidated financial statements. Further, this customer incentive give rise to a separate performance obligation because they provide a material right to customers and therefore a portion of the transaction price will be allocated to the bonus balance awarded to customers.

The adoption of IFRS 15 has resulted in a reduction to the opening balance of retained earnings as of 1 January 2018 by SR 2.3 million which has been recognized in the interim condensed consolidated statement of changes in shareholders' equity for the six month period ended 30 June 2018.

(b) Advances received from customers:

The Group receives short-term advances from its customers.

Upon the adoption of IFRS 15, for these short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less. Adoption of IFRS 15 in relation to customers advances do not have any impact on the Group's interim condensed consolidated financial statements.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group did not restate the comparative information for the period beginning 1 January 2017 due to the adoption of IFRS 9. The comparative information for each of the primary financial statements were not restated and are presented based on the requirements of IAS 39. Further, the cumulative adjustment to the opening balance of retained earnings as at 1 January 2018 are reported in the interim condensed consolidated statement of changes in shareholders' equity for the six month period ended 30 June 2018.

(a) Impairment:

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 Financial Instruments ("IFRS 9") (continued)

(a) Impairment (continued):

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of IFRS 9 has resulted in a reduction of the opening balance of retained earnings as of 1 January 2018 by SR 7.5 million which has been recognized in the interim condensed consolidated statement of changes in shareholders' equity for the six months period ended 30 June 2018.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Transfers of Investment Property (Amendments to IAS 40)
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are not relevant to the Group.

2.4 NEW STANDARDS ISSUED BUT NOT EFFECTIVE

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). 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.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively

3 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

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

3.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgment, which has the most significant effect on the amounts recognised in the interim condensed consolidated financial statements.

Operating leases

The Group has entered into property leases for the buildings in relation to its hotel business, and also for land or mall space in relation to its entertainment park business. The Group has evaluated based on the terms and conditions of the arrangements that the significant risks and rewards of ownership of these properties which are leased out on operating leases are retained by the lessor hence have been accounted for these arrangement as operating leases.

3.2 Assumptions and estimates

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.

3.2.1 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.

3.2.2 Impairment of trade receivable

The Group has applied the standard's simplified approach of impairment in accordance with IFRS 9 and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.2.3 Employees' terminal benefits liabilities

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

3 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES (CONTINUED)

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.

3.2.4 Property and equipment useful life and residual value
Management estimated that the 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.

3.2.5 Customers' unexercised rights
For non-expiring rechargeable playing cards, management reviews the historical usage patterns and accordingly adjusts the revenue recognised appropriately.

4 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 interim condensed consolidated financial statements.

	Ownership			
	30 June 2018 %	*31 December 2017 %*	*30 June 2018 SR '000*	*31 December 2017 SR '000*
Joint Ventures				
Tourism and Real Estate Development Company	**48.5**	48.5	**63,417**	62,981
Asateer Company for Entertainment Projects Limited	**50.0**	50.0	**15,428**	21,388
Al Qaseem Trading Company Limited	**50.0**	50.0	**6,174**	11,702
Tarfeeh Company for Tourism and Projects Limited	**50.0**	50.0	**3,040**	2,507
Al Khaleejiya Company for Entertainment Limited	**50.0**	50.0	**50**	50
			88,109	98,628

4.1 *Movement in the investments in joint ventures:*

	For the six month period ended 30 June 2018 SR '000	*For the year ended 31 December 2017 SR '000*
At the beginning of the period/year	**98,628**	99,588
Share in net results	**8,968**	21,260
Absorption of losses	**2,366**	5,019
Dividends	**(21,853)**	(27,239)
At the end of the period/year	**88,109**	98,628

5 PROPERTY, EQUIPMENT AND PROJECTS UNDER CONSTRUCTION

	Notes	*30 June 2018 SR '000*	*31 December 2017 SR '000*
Property and equipment	5.1 & 5.2	**1,256,946**	1,192,540
Projects under construction	5.3 & 5.4	**59,767**	141,886
		1,316,713	1,334,426

5 PROPERTY, EQUIPMENT AND PROJECTS UNDER CONSTRUCTION (continued)

5.1 Property and equipment

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

Leasehold improvements	The shorter of useful lives 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		

	Leasehold improvements SR'000	*Entertainment equipment SR'000*	*Furniture and fixtures SR'000*	*Motor Vehicles SR'000*	*Air conditioners SR'000*	*Computers SR'000*	*Tools SR'000*	*Total SR'000*
Cost:								
At the beginning of the period	1,026,695	636,807	248,592	29,691	75,536	79,969	168,662	**2,265,952**
Additions	9,817	15,040	2,433	-	2,284	2,408	656	**32,638**
Disposals	-	(690)	-	(74)	-	(5)	-	**(769)**
Transfer from (to) a related party, net (note 11.1)	-	-	-	-	-	7	(1,398)	**(1,391)**
Transfer from projects under construction (note 5.4)	100,947	115	9,458	-	16	1,736	2,344	**114,616**
At the end of the period	1,137,459	651,272	260,483	29,617	77,836	84,115	170,264	**2,411,046**
Depreciation:								
At the beginning of the period	307,750	393,108	163,738	24,368	37,822	55,984	90,642	**1,073,412**
Charge for the period	30,201	24,193	10,177	1,234	3,526	5,415	6,959	**81,705**
Disposals	-	(567)	-	(74)	-	(3)	-	**(644)**
Transfer from (to) a related party, net (note 11.1)	-	-	-	-	-	2	(375)	**(373)**
At the end of the period	337,951	416,734	173,915	25,528	41,348	61,398	97,226	**1,154,100**
Net book values:								
As at 30 June 2018	**799,508**	**234,538**	**86,568**	**4,089**	**36,488**	**22,717**	**73,038**	**1,256,946**

5 PROPERTY, EQUIPMENT AND PROJECTS UNDER CONSTRUCTION (continued)

5.1 Property and equipment (continued)

	Leasehold improvements SR'000	*Entertainment equipment SR'000*	*Furniture and fixtures SR'000*	*Motor Vehicles SR'000*	*Air Conditioners SR'000*	*Computers SR'000*	*Tools SR'000*	*Total SR'000*
Cost:								
At the beginning of the year	839,437	611,399	252,289	30,908	64,402	72,019	163,296	2,033,750
Additions	50,166	68,217	5,270	723	5,212	5,018	2,162	136,768
Disposals	(6,472)	(44,403)	(13,580)	(1,947)	(881)	(1,130)	(4,358)	(72,771)
Transfer to a related parties, net (note 11.1)	-	(5,034)	-	-	-	-	-	(5,034)
Transfer from projects under construction (note 5.4)	143,564	6,628	4,613	7	6,803	4,062	7,562	173,239
At the end of the year	1,026,695	636,807	248,592	29,691	75,536	79,969	168,662	2,265,952
Depreciation:								
At the beginning of the year	258,837	385,317	155,186	23,500	32,495	46,188	79,802	981,325
Charge for the year	51,679	46,942	21,786	2,815	6,133	10,823	14,399	154,577
Disposals	(2,766)	(38,013)	(13,234)	(1,947)	(806)	(1,027)	(3,559)	(61,352)
Transfer to related parties, net (note 11.1)	-	(1,138)	-	-	-	-	-	(1,138)
At the end of the year	307,750	393,108	163,738	24,368	37,822	55,984	90,642	1,073,412
Net book values:								
As at 31 December 2017	718,945	243,699	84,854	5,323	37,714	23,985	78,020	1,192,540

5 PROPERTY, EQUIPMENT AND PROJECTS UNDER CONSTRUCTION (continued)

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

5.3 Projects under construction

Projects under construction represent the costs of five new entertainment centers (31 December 2017: two entertainment centers), three commercial centers (31 December 2017: two commercial centers, three new hotels, and one new restaurant) in Kingdom of Saudi Arabia and United Arab Emirates that are currently under construction, in addition to renovation costs of existing hotels and entertainment centers.

Capitalised borrowing costs

The amount of borrowing costs capitalised during the period ended 30 June 2018 was SR 1.6 million (year ended 31 December 2017: SR 4.5 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.1% (31 December 2017: 4.4%), which is the effective interest rate of the weighted average borrowings.

5.4 Movement in the projects under construction:

	For the six month period ended 30 June 2018 SR '000	*For the year ended 31 December 2017 SR '000*
At the beginning of the period/year	**141,886**	78,208
Additions	**32,497**	236,917
Transfers to property and equipment (note 5.1)	**(114,616)**	(173,239)
At the end of the period/year	**59,767**	141,886

6 LOANS

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

The following is a summary of the loans:

	30 June 2018 SR '000	*31 December 2017 SR '000*
Current portion of long term loans	**172,370**	177,696
Short term loans	**17,000**	5,000
	189,370	182,696
Non-current portion of long term loans	**428,121**	436,415
	617,491	619,111

6 LOANS (continued)

(i) The loan agreements contain covenants regarding certain leverage ratio, total debt to equity ratio, and others. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met.

(ii) The management 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.

(iii) The fair values of the Group's interest-bearing long term loans amounting to SR 406.1 million (31 December 2017: SR 426.1 million) and are determined by using discounted cash flows method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2018 and 31 December 2017 was assessed to be insignificant.

(iv) Fair value of long term loans falls under level 3 of the fair value measurement hierarchy. The Group does not hold other financial liabilities where fair value is determined using significant unobservable inputs.

7 ZAKAT

Zakat expense is provided for and charged to the interim condensed consolidated statement of comprehensive income on estimation basis. Differences resulting from the final Zakat calculation, if any, are adjusted at year end.

The Company has filed its zakat declaration with the General Authority of Zakat and Tax ("GAZT") for all the years up to 2017 and obtained the Zakat assessments for the years from 2007 to 2011. Based on these assessments, the GAZT requested the Company to settle additional zakat liability of SR 9.25 million. The Company has filed an appeal against these assessments to the Preliminary Zakat and Income Tax Appeal Committee. The Preliminary Zakat and Income Tax Appeal Committee has upheld the GAZT assessments for the years from 2007 to 2011. Accordingly, the Company has appealed to the Higher Appeal Committee against this resolution. During 2018, the Higher Appeal Committee has issued its ruling in the favor of the Company.

Further, the principal shareholder has committed to pay on behalf of the Company any additional Zakat in respect of any amounts that exceed the Zakat provision reported by the Company in the consolidated financial statements for all years up to 31 December 2013.

7.1 Movement in provision for zakat:

	For the six month period ended 30 June 2018 SR '000	*For the year ended 31 December 2017 SR '000*
At the beginning of the period/year	**18,472**	18,396
Provided during the period/year	-	76
At the end of the period/year	**18,472**	18,472

8 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 55 million share of SR 10 each (31 December 2017: 55 million share of SR 10 each).

9 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

For the six month period ended 30 June 2018 *SR '000*	*Hotels*	*Entertainment*	*Total*
Type of goods or service			
Rooms	212,108	-	**212,108**
Food and beverage	107,032	-	**107,032**
Games and parks revenue	-	217,671	**217,671**
Other hotel revenues	13,910	-	**13,910**
Total revenue from contracts with customers	**333,050**	**217,671**	**550,721**
Timing of revenue recognition			
Services transferred over time	226,018	217,671	**443,689**
Goods transferred at a point in time	107,032	-	**107,032**
Total revenue from contracts with customers	**333,050**	**217,671**	**550,721**

10 DIVIDENDS DECLARATION AND APPROVAL

The General Assembly in its meeting held on 18 April 2018 approved the board of directors remuneration of SR 2.3 million.

On 19 January 2017, the Board of Directors approved interim cash dividends of SR 35.75 million (SR 0.65 per share) for the second half of the year 2016. These were approved in addition to board of directors remuneration of SR 2.3 million by General Assembly in its meeting held on 18 April 2017

11 RELATED PARTY TRANSACTIONS AND BALANCES

11.1 Related party transactions

The following are the details of major related party transactions

		Amount of transaction for the six month period ended	
Related Party	*Nature of transaction*	*30 June 2018* *SR '000*	*30 June 2017* *SR '000*
Principal Shareholder	Rent expenses (a)	**37,951**	39,276
	Revenue	**1,533**	2,393
	Project management expenses	**1,045**	996
Board of directors members	Salaries and related benefits (b)	**1,671**	1,671
	Remuneration (note 10)	**2,300**	2,285
Joint ventures	Management fees revenues (c)	**1,508**	1,282
Affiliates	Rent expenses (a)	**5,758**	5,758
	Rent revenue (d)	**1,208**	735
	Management fees revenue (c)	**112**	465
	Revenue	**372**	571
Key management executives	Salaries and related benefits (e)	**2,081**	1,749

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

11.1 Related party transactions (continued)

a) This amount represents rent expenses for 24 properties (30 June 2017: 24 properties) that are leased by the Group from the principal shareholder and affiliates.

b) Salaries and related benefits of SR 1,671 thousand (30 June 2017: SR 1,671 thousand) were paid to two members of the board of directors who are involved in the management of the Company.

c) This amount represents management fees of nine entertainment centers (30 June 2017: eight entertainment centers) owned by a joint venture and an affiliate.

d) This represents rent from Naqaha Healthcare Company Limited (an affiliate) for the space used by the affiliate in the Company's hotels.

e) Salaries and related benefits of SR 2,081 thousand (30 June 2017: SR 1,749 thousand) were paid to five key management executives of the Group. Key management executives are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

11.2 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 interim condensed consolidated statement of financial position date. There have been no guarantees provided or received for any related party receivables or payables. For the six month period ended 30 June 2018 and 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each reporting period by examining the financial position of the related party and the market in which the related party operates.

12 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share for the period are calculated by dividing net income (loss) for the period by the weighted average number of issued and outstanding shares of 55 million during the period.

13 COMMITMENTS AND CONTINGENCIES

13.1 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 interim condensed consolidated financial position or results of operations and therefore no provision was made in the interim condensed consolidated financial statements.

13.2 Capital commitments

As at 30 June 2018, the Group has capital commitments of SR 85.5 million (31 December 2017: SR 142.3 million) related to projects under constructions.

13.3 Letters of credit and guarantee

As at 30 June 2018, the Group had outstanding letters of credit and guarantee amounting to SR 23 million (31 December 2017: SR 22.4 million).

13 COMMITMENTS AND CONTINGENCIES (continued)

13.4 Operating lease commitments - Group as lessee

The Group has entered into commercial leases on hotels, entertainment centers, etc. The lease term under these arrangements range between 5 and 26 years. The Group has the option, under some of its leases, to lease the assets for additional term. These lease agreements do not transfer the assets' ownership at the end of the lease. The Group will bear routine maintenance incurred during lease period. For certain lease contracts, the Group has provided guarantees in relation to settlement of due rent payment and the Group will bear insurance expenses in relation to leased assets. The Group has provided a promissory note of SR 67 million in relation to one of its lease contracts.

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	30 June 2018 SR '000	*31 December 2017 SR '000*
Within one year	**190,323**	186,752
After one year but not more than five years	**622,053**	633,130
More than five years	**1,094,902**	1,260,957
	1,907,278	2,080,839

14 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 interim condensed consolidated financial statements.

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

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 two subsidiaries, Sparky's UAE and Asateer Company for Entertainment and Tourism - Egypt. However, the total assets, liabilities, commitments and results of operations of both subsidiaries are not material to the Group's overall interim condensed 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.

14 SEGMENTAL INFORMATION (continued)

Following is a summary of certain financial information for the six month period ended 30 June 2018 and 2017 and as at 31 December 2017:

30 June 2018 *SR '000*	*Hotels*	*Entertainment*	*Others*	*Eliminations*	*Total*
Revenue from external customers	**333,050**	**217,671**	**27,891**	-	**578,612**
Inter-segment revenue	**97**	**63**	**1,543**	**(1,703)**	**-**
Gross profit	**62,351**	**59,013**	**5,743**	-	**127,107**
Expenses	**80,335**	**37,722**	**17,636**	-	**135,693**
Financial charges	**-**	**-**	**10,947**	-	**10,947**
Other income (expense)	**7,121**	**(747)**	**(226)**	-	**6,148**
Shares in results of joint ventures	**-**	**-**	**8,968**	-	**8,968**
Net (loss) income	**(10,863)**	**20,544**	**(14,098)**	-	**(4,417)**
Property, equipment and projects under construction	**628,728**	**602,729**	**85,256**	-	**1,316,713**
Total assets	**850,604**	**750,464**	**207,442**	-	**1,808,510**
Investments in joint ventures	**-**	**-**	**88,109**	-	**88,109**
Total liabilities	**338,645**	**138,314**	**676,253**	-	**1,153,212**
Capital expenditures	**21,148**	**42,129**	**1,858**	-	**65,135**

30 June 2017 *SR '000*	*Hotels*	*Entertainment*	*Others*	*Eliminations*	*Total*
Revenue from external customers	311,596	217,217	18,898	-	547,711
Inter-segment revenue	285	63	3,845	(4,193)	-
Gross profit	71,809	66,964	3,269	-	142,042
Expenses	73,204	36,016	16,203	-	125,423
Financial charges	-	-	9,214	-	9,214
Other income	65	6,079	-	-	6,144
Shares in results of joint ventures	-	-	9,639	-	9,639
Zakat	-	-	361	-	361
Net (loss) income	(1,330)	37,027	(12,870)	-	22,827

31 December 2017 *SR '000*	*Hotels*	*Entertainment*	*Others*	*Eliminations*	*Total*
Property, equipment and projects under construction	645,531	571,962	116,933	-	1,334,426
Total assets	834,528	707,259	255,517	-	1,797,304
Investments in joint ventures	-	-	98,628	-	98,628
Total liabilities	277,715	140,659	709,321	-	1,127,695
Capital expenditures	109,689	153,589	110,407	-	373,685

14 SEGMENTAL INFORMATION (continued)

14.2 Credit exposure by operating segments is as follows:

30 June 2018 *SR '000*	*Hotels*	*Entertainment*	*Others*	*Total*
Assets	**129,386**	**61,982**	**23,568**	**214,936**
Commitments and contingencies	**3,206**	**10,494**	**9,255**	**22,955**

31 December 2017 *SR '000*	*Hotels*	*Entertainment*	*Others*	*Total*
Assets	118,287	46,383	24,851	189,521
Commitments and contingencies	1,800	11,381	9,255	22,436

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

15 INTERIM RESULTS

Interim results may not necessary be indicative of the annual results of the Group.

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 consist of bank balances and cash, receivables and amounts due from related parties. Its financial liabilities consist of banks' short term and long term 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 and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the Group's interest-bearing long term loans amounting to SR 406.1 million (31 December 2017: SR 426.1 million) and are determined by using discounted cash flows method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2018 and 31 December 2017 was assessed to be insignificant.

Fair value of long term loans falls under level 3 of the fair value measurement hierarchy. The Group does not hold other financial liabilities where fair value is determined using significant unobservable inputs.

17 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved on 18 Dhul-Qadah 1439H (corresponding to 31 July 2018).