

**Tourism Enterprise Company (Shams)**

(A Saudi Joint Stock Company)

**Condensed Interim Financial Statements**

**For the Three – Month Period Ended 31 March 2021**

**With Independent Auditor's Report**

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

Condensed Interim Financial Statements  
For the Three – Month Period Ended 31 March 2021

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**INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of  
Tourism Enterprise Company (Shams)  
(A Saudi Joint Stock Company)  
Dammam, Saudi Arabia**

**Report on the Review of the condensed interim financial statements****Introduction**

We have reviewed the condensed financial statements of Tourism Enterprise Company (Shams) and the condensed statement of financial position as at 31 March 2021, the condensed statements of profit and loss, other comprehensive income, changes in equity and cash flows for the three- month period then ended, and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34- "Interim Financial Reporting" (IAS 34) are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statement based on our review.

**Scope of Review**

We conducted our review in accordance with International Standards on Review Engagement 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 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 Standard 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**For Al Bassam & Co.**

**Ibrahim A. Al Bassam**  
**License No. 337**

19 May 2021  
7 Shawwal 1442  
Dammam, Kingdom of Saudi Arabia



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

**Statement of financial position**  
**As at 31 March 2021**  
(All amounts are in Saudi Riyals)

	Note	31 March 2021	31 December 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net		49,142,709	50,074,710
Investment property, net		6,718,084	6,775,126
<b>Total non-current assets</b>		<b>55,860,793</b>	<b>56,849,836</b>
<b>Current assets</b>			
Trade receivables, net		5,029,370	3,197,279
Prepayments and other receivables, net		747,731	667,121
Cash and cash equivalents		16,295,756	15,776,891
<b>Total current assets</b>		<b>22,072,857</b>	<b>19,641,291</b>
<b>Total assets</b>		<b>77,933,650</b>	<b>76,491,127</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Shareholders' Equity</b>			
Share capital	3	101,500,000	101,500,000
Statutory reserve		2,913,121	2,913,121
Accumulated losses		(35,725,483)	(34,770,370)
<b>Total shareholders' Equity</b>		<b>68,687,638</b>	<b>69,642,751</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
End of service provision		1,381,617	1,204,872
<b>Total non-current liabilities</b>		<b>1,381,617</b>	<b>1,204,872</b>
<b>Current liabilities</b>			
Trade payables		482,378	168,666
Accrued expenses and other credit balances		4,666,727	2,909,548
Provision for claims		1,966,300	1,966,300
Accrued zakat	4	748,990	598,990
<b>Total current liabilities</b>		<b>7,864,395</b>	<b>5,643,504</b>
<b>Total liabilities</b>		<b>9,246,012</b>	<b>6,848,376</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>77,933,650</b>	<b>76,491,127</b>

Chief Financial Officer

Ahmed Mohammed Suleiman

Chief Executive Officer

Ali Abdullah AL Selham

The accompanying notes form part of these financial statements



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

Statement of profit or loss and other comprehensive income  
For the Three – Month Period Ended 31 March 2021  
(All amounts are in Saudi Riyals)

	Note	31 March 2021	31 March 2020
<b>Continuing operations</b>			
Revenue	6	3,205,835	1,732,489
Cost of revenue	7	(2,706,078)	(2,683,414)
Gross profit /(Loss)		499,757	(950,925)
Selling and distribution expenses		(220,855)	(181,476)
Administrative expenses	8	(1,085,369)	(1,447,615)
Other gains		15,026	5,715
(Loss) before zakat		(791,441)	(2,574,301)
Zakat expense	4	(150,000)	(117,152)
Loss for the year		(941,441)	(2,691,453)
<b>Other comprehensive income:</b>			
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of zakat):</b>			
Actuarial loss from Re-measurements of post-employment benefit obligations		(13,672)	(27,292)
Other comprehensive loss for the year, net of zakat		(13,672)	(27,292)
Total comprehensive loss for the year, net of zakat		(955,113)	(2,718,745)
<b>Loss per share</b>			
Loss per share before zakat	9	(0.08)	(0.25)
Loss for the year	9	(0.09)	(0.27)

Chief Financial Officer

Ahmed Mohammed Suleiman

Chief Executive Officer

Ali Abdullah AL Selham

The accompanying notes form part of these financial statements



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

**Statement of changes in shareholders' equity**  
**For the Three – Month Period Ended 31 March 2021**  
(All amounts are in Saudi Riyals)

	Share capital	Statutory reserve	Accumulated losses	Total
Balance at 31 December 2019	101,500,000	2,913,121	(26,520,303)	77,892,818
Net loss for the year	-	-	(2,691,453)	(2,691,453)
Actuarial loss	-	-	(27,292)	(27,292)
Total comprehensive loss for the year	-	-	(2,718,745)	(2,718,745)
Balance on 31 March 2020 (Unaudited)	101,500,000	2,913,121	(29,239,048)	75,174,073
<b>Balance at 31 December 2020</b>	<b>101,500,000</b>	<b>2,913,121</b>	<b>(34,770,370)</b>	<b>69,642,751</b>
Net loss for the year	-	-	(941,441)	(941,441)
Actuarial loss	-	-	(13,672)	(13,672)
Total comprehensive loss for the year	-	-	(955,113)	(955,113)
<b>Balance at 31 March 2021</b>	<b>101,500,000</b>	<b>2,913,121</b>	<b>(35,725,483)</b>	<b>68,687,638</b>

**Chief Financial Officer**

Ahmed Mohammed Suleiman

**Chief Executive Officer**

Ali Abdullah AL Selham

The accompanying notes form part of these financial statements



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

**Statement of cash flows**  
**For the Three – Month Period Ended 31 March 2021**  
(All amounts are in Saudi Riyals)

	31 March 2021	31 March 2020
<b>Operating activities</b>		
Net loss before zakat	(791,441)	(2,574,301)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	1,422,510	1,455,356
Depreciation of investment in property	57,042	57,682
Provision for doubtful debt	-	(157,500)
Provision for employees' end of service benefits	163,073	72,510
<b>Changes in operating assets and liabilities:</b>		
Trade receivables	(1,832,091)	(1,962,132)
Prepayments and other receivables, net	(80,610)	(235,005)
Trade payable	313,712	73,261
Accrued expenses and other credit balance	1,757,179	2,501,663
<b>Net cash generated from /(used in) operations</b>	<b>1,009,374</b>	<b>(768,466)</b>
Zakat paid	-	(400,371)
<b>Net cash generated from/ (used in) operating activities</b>	<b>1,009,374</b>	<b>(1,168,837)</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	(490,509)	(153,255)
<b>Net cash used in investing activities</b>	<b>(490,509)</b>	<b>(153,255)</b>
<b>Change in cash and cash equivalents</b>	<b>518,865</b>	<b>(1,322,092)</b>
Cash and cash equivalents at the beginning of the year	15,776,891	11,547,822
<b>Cash and cash equivalents at the end of the year</b>	<b>16,295,756</b>	<b>10,225,730</b>

Chief Financial Officer

Ahmed Mohammed Suleiman

Chief Executive Officer

Ali Abdullah AL Selham

The accompanying notes form part of these financial statements



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

**Notes to the financial statements**  
**For the Three – Month Period Ended 31 March 2021**  
(All amounts are in Saudi Riyals)

**1- Organization and principal activities**

Tourism Enterprise Company (Shams) (“the Company”) is a Saudi Joint Stock Company which was established in the Kingdom of Saudi Arabia in accordance with the Ministry of Commerce under Commercial Registration No. 2050021572 from Dammam dated Moharam 20, 1412 corresponding to August 1, 1991.

The company is engaged in managing business and tourism building including, chalets, motels, hotels, parks, restaurants, cities, playgrounds, swimming pools, rest houses, central service station and all service that lodges need.

The main activity head office is the only tourism project (Palm Beach Resort), which is located on land leased from the Municipality of Dammam for 40 years from the date of Muharram 1, 1410 corresponding to August 3, 1989 ending on Dhu al-Hijjah 30, 1450 corresponding to May 14, 2029. Without specifying the contract on the possibility of renewing the lease contract.

The company conducts its activities in the Kingdom of Saudi Arabia in the city of Dammam in the Half Moon Beach area, Dammam Postal code 31482 P.O. Box 8383.

The period terms of the company are 99 years from the date of issuance of the Minister of Commerce’s decision to establish it and renewed by an extraordinary general assembly at least one year before the date of its expiry.

The financial statements included the head office accounts and the accounts of the branches.

Palm Beach Tourist Resort - Branch of the Touristic Enterprises Company (Shams) operates under the sub-commercial registry number 2051049490 issued by the Ministry of Trade and Industry in Dammam on Shaaban 7, 1433.

**2- Basis of preparation**

**2/1 Statement of compliance**

These financial statements have been prepared as of 31 March 2021 in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

As required by the Capital Market Authority through its circular issued on October 16, 2016, the Company must apply the cost model to measure property, machinery, equipment, real estate investments and intangible assets when adopting the IFRS for a period of three years beginning from the date of application of the IFRS, it was later extended until December 31, 2021.

**2/2 Preparation of financial statements**

The financial statements have been prepared under the historical cost principle, unless International Financial Reporting Standards allow measurement in accordance with other valuation methods that are indicated in the clarification of the main accounting policies.



**Notes to the financial statements "continued"**  
**For the Three – Month Period Ended 31 March 2021**  
(All amounts are in Saudi Riyals)

**2- Basis of preparation "continued"**

**2/2 Preparation of financial statements "continued"**

The preparation of the financial statements in accordance with international standards for the preparation of financial reports requires the management to make judgments, estimates and assumptions that may affect the application of accounting policies and the amounts disclosed in the financial statements. These important estimates and assumptions are disclosed in Note 4.

The Company financial statements are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in Saudi riyals, which is the functional and presentation currency. The numbers were rounded to the nearest thousand riyals, unless otherwise stated.

**2/3 New Accounting Policy**

There are no new standards that have been issued, however, a number of amendments to the standards are effective from January 1, 2021, which were explained in the annual financial statements of the company, but do not have a material impact on the condensed interim financial statements of the company.

**3- Capital**

Tourism Enterprises Company (Shams) is a Saudi joint stock company listed in the Saudi Capital Market, with a capital of 101,500,000 SR, divided into 10,150,000 shares, with a nominal value of 10 SR per share. All its shares have been subscribed and paid in full.

Based on the meeting of the company's board of directors on Ramadan 3, 1442 H, corresponding to April 15, 2021, the extraordinary general assembly recommended that on the next meeting the company should reduce the capital and then increase the company's capital by initial public offering of its shares for the requirements of the business interest and in support of its future investment plans. The recommendation to reduce the capital is subject to the approval of the official authorities and the extraordinary general assembly of the company to be as follows:

**A) Capital Reduction**

Recommendation to reduce the company's capital in order to amortize the accumulated losses that amounted to SR 34,510,000.34% of the company's capital of SR 101,500,000, so that the company's capital after the reduction becomes SR 66,990,000.

**And the number of its shares after the decreasing will be as follows:**

No of shares before Reducing	No of shares after Reducing	Canceled shares to amortized losses
10,150,000	6,699,000	3,451,000



**Notes to the financial statements "continued"**  
**For the Three – Month Period Ended 31 March 2021**  
(All amounts are in Saudi Riyals)

**4- Zakat**

**4/1 Movement in provision during the year**

The movement in the zakat provision for the year was as follows:

	31 March 2021	31 December 2020
Balance at the beginning of the year	598,990	793,799
Increase of the accrued zakat	-	17,152
Zakat adjustments	-	148,092
Provided during the year	150,000	575,577
Paid during the year	-	(935,630)
Balance at the end of the year	748,990	598,990

**4/2 Zakat Status**

The company submitted the zakat return for all years up to December 31, 2020, and paid its due according to these zakat returns. The company received the Zakat assessment from the General Authority for Zakat and Tax for the years from 1996 until 2010, and it resulted in differences due from the company in the amount of 7,986,794 Saudi riyals, and based on the recommendation of the audit committee at its meeting on March 31, 2013, the differences were recorded on the provision account, and the company's management made a contract with an advisory office to verify the differences claimed by the General Authority for Zakat and Tax for the period from 1996 until 2010.

The elected board of directors on May 28, 2018, objected to the zakat assessments submitted by the General Authority for Zakat and Income for the period from 1996 to 2010, and the elected board appointed one of the Zakat expertise houses to verify the correctness of the differences claimed by the General Authority of Zakat and Tax for the period in dispute. After submitting the supporting documents the company's objection, a solution was found with the Zakat Claims Settlement Committee at the General Authority for Zakat and Tax during the first quarter of 2019, by reducing the claims value for the period in dispute from an amount of SR 7,986,794 to be an amount of SR 3,600,021 and accordingly the total difference in favor of the company is SR 4,386,773 which in turn reflected positively on the financial statements for the first quarter of 2019, note that the value of the settlements was divided into 6 installments.

The company received the zakat assessment for the years from 2015 until 2018, and the zakat assessment was approved by an amount of SR 148,092.



**Notes to the financial statements "continued"**  
**For the Three – Month Period Ended 31 March 2021**  
(All amounts are in Saudi Riyals)

**5- Contingent liabilities**

At Jumada Al-Akher 9, 1440 corresponding to February 14, 2019, the company's board of directors agreed to sign a memorandum of understanding to acquire part of the owners' shares in a group of Hemaya companies, which includes both:

- Saud Khalifa Med`j Al Fisam & Co. for the transfer of money, gold, jewelry and stones.
- Saud Khalifa Med`j Al Fasam & Co. for Private Civil Security Services.
- Hemaya Company for Security, Safety Equipment's and Trading Ltd.

At Dhu Al Qaeda 4, 1440 corresponding to July 7, 2019, the Company's Board of Directors nullified the company's entry contract into the Hemaya Security Equipment, Safety and Trade Limited Company and did not proceed with the acquisition of Saud Khalifa Mud`ej Al Fasam and Co. for the transfer of funds, gold, jewelry and stones, and Saud Khalifa Mud`ej Al Fasam and Co. for Security Services and Private Civil. This is as a result of the discovery of material financial obligations owed by the company to Hemaya Security, Safety and Trade Equipment Ltd. which was not disclosed in the company financial statement and due diligence.

It is worth noting that the "Shams" company quickly reacted to the matter and took the necessary measures and did not transfer any cash to date to a Hemaya Company for Security Equipment, Safety and Trade Limited due to the suspension of bank accounts for a protection company, and no cash will be paid in this regard as a result of those measures.

Accordingly, there are potential commitments around of 5 million Saudi riyals, which represent the contract value until the completion of the legal procedures.

At Rajab 20, 1442 AH, corresponding to March 4, 2021, a document was issued in the first instance ruling, which was decided by the majority of the members rejecting the case, and based on the opinion of the legal advisor, this judgment is preliminary and does not have any authority and does not change the case and has no argument or consideration except in the case of ratification by a court of Appeal or not to object on it. The consultant believes that a judgment is expected in favor of the Tourism Projects Company (Shams), and the company has hedged the formation of a claims allowance within the limits of the possibility of non-judgment in favor of the company within the limits of the company's share in the capital of Hemaya Company for Security, Safety Equipment's and Trading Ltd.



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

**Notes to the financial statements "continued"**  
**For the Three – Month Period Ended 31 March 2021**  
(All amounts are in Saudi Riyals)

**6- Revenue**

	31 March 2021	31 March 2020
Annual rent revenue	187,291	53,892
Daily rent revenue	2,174,138	489,992
Services and other fees revenue	844,406	1,188,605
	<b>3,205,835</b>	<b>1,732,489</b>

**7- Cost of revenue**

The cost of services includes depreciations of property and equipment whose value during the period amounted to 1,374,209SR (compared to 1,404,120 SR during the period ending on March 31, 2020).

**8- General and administrative expenses**

General and administrative expenses include depreciation of property and equipment whose value during the period amounted to 48,301SR (compared to 51,236 SR during the period ending March 31, 2020) in addition to amortization of real estate investments of 57,042 SR (compared to 57,682 SR during the period ending on 31 March 2020).

**9- Loss per share**

Basic loss per share calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

**10- Financial risk management**

Financial instruments consist of financial assets and financial liabilities. Financial assets and liabilities included in the balance sheet include cash and cash equivalents, accounts receivable and other receivables and payables. The methods of recognizing each financial instrument are disclosed in the accounting policy notes applied related to each instrument. The fair value (the amount with which an asset can be exchanged or a liability settled between informed parties in a free market) The company's financial assets and liabilities are not materially different from their carrying value.

**Credit risk**

Credit risk represents the accounting loss that would be recognized at the financial position date if counter parties failed completely to perform as contracted. The Company has policies in place to minimize its exposure to credit risk.

Due to Company's long standing relations with counterparties and after giving due consideration to their financial position, the management does not expect non-performance by these counter parties on their obligations to the Company except trade debts considered doubtful.

Banking transactions are limited to local banks and international banks with high credit ratings. The management believes that the remaining balance with the financial banks without official classification is highly qualified international financial institutions.



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

Notes to the financial statements "continued"  
For the Three – Month Period Ended 31 March 2021  
(All amounts are in Saudi Riyals)

#### 10- Financial risk management (continued)

##### Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Company during the year are in Saudi Riyals and US Dollars and there are no significant risks related to balance stated at USD Dollars since the exchange of Saudi Riyal is pegged to US Dollar. The Company's exposure to currency risk arising from currencies that are not pegged to USD is not material. The Company is exposed to currency risk on foreign debtors and foreign trade payables in EURO and GBP. The total foreign currency risk exposure on reporting date is immaterial.

##### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 12 months.

#### 11- Comparative figures

Some of the prior year figures have been reclassified to conform to the current year presentation.

#### 12- Subsequent events

##### Corona Virus (Covid-19)

The presence of the new Corona virus (Covid-19) was confirmed in early 2020 and spread throughout China and from there to most countries of the world, which led to many countries taking many precautionary measures such as stopping work in government and private sector establishments and institutions and stopping the movement of transportation. The trade exchange has caused turmoil in business and economic activities around the world.

The management considers these subsequent events to be one of the events that do not require the amendment of the financial statements of the Company as a result of the unstable situation which is characterized by rapid development,

#### 13- Board of directors' approval

These audited financial statements have been approved on 4 Shawwal 1442 corresponding to 16 May 2021 by the Board of Directors.