

Tourism Enterprise Company (Shams)

(A Saudi Joint Stock Company)

Condensed Interim Financial Statements

For the Three and Nine – Month Period Ended 30 September 2021

With Independent Auditor's Report

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

Condensed Interim Financial Statements
For the Three and Nine – Month Period Ended 30 September 2021

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED
FINANCIAL STATEMENT**

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

Introduction

We have reviewed the condensed financial statements of Tourism Enterprise Company (Shams) and the condensed statement of financial position as at 30 September 2021, the condensed statements of profit and loss, other comprehensive income for the three and nine- month period then ended, changes in equity and cash flows for the nine-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.

**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED
FINANCIAL STATEMENT (continued)**

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

Emphasis of Matter

We draw attention to note (3) to the condensed financial statements which describe there is indicators related to going concern. The accumulated losses 48,853,075 SR, which represent 48 % of the company share capital as of 30 September 2021, and this indicates the possibility of Material Uncertainty Related to Going Concern. Our conclusion is not qualified in respect of this matter.

Accordingly, and as corrective procedures, based on the meeting of the company's board of directors on 16 Muharrem, 1443 H, corresponding to 24 August, 2021, the extraordinary general assembly recommended that on the next meeting the company should reduce the capital by 48,21% then increase the company's capital by priority shares rights of its shares for the requirements of the business interest and in support of its future investment plans.

For Al Bassam & Co.

Ibrahim A. Al Bassam
License No. 337

4 Rabi` al Thani 1443
9 November 2021
Dammam, Kingdom of Saudi Arabia



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

Condensed Statement of Financial Position
As at 30 September 2021
(All amounts are in Saudi Riyals)

	Note	30 September 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment, net		47,138,225	50,074,710
Investment property, net		6,600,790	6,775,126
Total non-current assets		53,739,015	56,849,836
Current assets			
Trade receivables, net		2,832,566	3,197,279
Prepayments and other receivables, net		982,917	667,121
Cash and cash equivalents		15,608,965	15,776,891
Total current assets		19,424,448	19,641,291
Total assets		73,163,463	76,491,127
Liabilities and Shareholders' Equity			
Shareholders' Equity			
Share capital	3	101,500,000	101,500,000
Statutory reserve		2,913,121	2,913,121
Accumulated losses		(48,853,075)	(34,770,370)
Total shareholders' Equity		55,560,046	69,642,751
Liabilities			
Non-current liabilities			
End of service provision		1,281,812	1,204,872
Total non-current liabilities		1,281,812	1,204,872
Current liabilities			
Trade payables		618,436	168,666
Accrued expenses and other credit balances		4,008,792	2,909,548
Provision for claims		10,724,774	1,966,300
Accrued zakat	4	969,603	598,990
Total current liabilities		16,321,605	5,643,504
Total liabilities		17,603,417	6,848,376
Total Shareholders' Equity and Liabilities		73,163,463	76,491,127

Chief Financial Officer

Ahmed Mohammed Saleiman

Chief Executive Officer

Ali Abdullah AL Selham

The accompanying notes form part of these condensed financial statements

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

Condensed Statement of Profit or Loss And Other Comprehensive Income
For the Three and Nine- Month Period Ended 30 September 2021
(All amounts are in Saudi Riyals)

		For the Three-Months Period Ended 30 September		For the Nine-Months Period Ended 30 September	
	Note	2021	2020	2021	2020
Continuing operations					
Revenue	6	4,238,069	6,389,503	12,217,080	10,256,929
Cost of revenue	7	(3,631,653)	(3,155,983)	(9,601,504)	(8,327,112)
Gross profit		606,416	3,233,520	2,615,576	1,929,817
Selling and distribution expenses		(252,596)	(223,373)	(772,364)	(514,758)
Administrative expenses	8	(987,711)	(4,283,787)	(6,243,866)	(7,106,459)
Legal provision expense		698,827	-	(8,758,474)	-
Other gains		49,000	49,659	84,460	67,374
Profit (Loss) before zakat		113,936	(1,223,981)	(13,074,668)	(5,624,026)
Zakat expense	4	(20,266)	(298,092)	(967,022)	(565,244)
Profit (Loss) for the period		93,670	(1,522,073)	(14,041,690)	(6,189,270)
Other comprehensive income:					
Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of zakat):					
Actuarial loss from Re-measurements of post-employment benefit obligations		(13,671)	(27,292)	(41,015)	(81,876)
Other comprehensive loss for the period, net of zakat		(13,671)	(27,292)	(41,015)	(81,876)
Total comprehensive loss for the period, net of zakat		79,999	(1,549,365)	(14,082,705)	(6,271,146)
Profit (Loss) per share					
Profit (Loss) per share before zakat	9	(0.01)	(0.12)	(1.29)	(0.55)
Profit (Loss) for the period	9	(0.01)	(0.15)	(1.39)	(0.61)

Chief Financial Officer
Ahmed Mohammed Suleiman

Chief Executive Officer
Ali Abdullah AL Seham

The accompanying notes form part of these condensed financial statements



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

Statement of Changes in Shareholders' Equity
For the Nine Month Period Ended 30 September 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 period	-	-	(6,189,270)	(6,189,270)
Actuarial loss	-	-	(81,876)	(81,876)
Total comprehensive loss for the period	-	-	(6,271,146)	(6,271,146)
Balance on 30 September 2020 (Unaudited)	101,500,000	2,913,121	(32,791,449)	71,621,672
Balance at 31 December 2020	101,500,000	2,913,121	(34,770,370)	69,642,751
Net loss for the period	-	-	(14,041,690)	(14,041,690)
Actuarial loss	-	-	(41,015)	(41,015)
Total comprehensive loss for the period	-	-	(14,082,705)	(14,082,705)
Balance at 30 September 2021	101,500,000	2,913,121	(48,853,075)	55,560,046

Chief Financial Officer
Ahmed Mohammed Suleiman

Chief Executive Officer
Ali Abdullah AL Selham

The accompanying notes form part of these condensed interim financial statements



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

Condensed Statement of Cash Flows
For the Nine Month Period Ended 30 September 2021
(All amounts are in Saudi Riyals)

	For the Nine Month period Ended 30 September	
	2021	2020
Operating activities		
Net loss before zakat	(13,074,668)	(5,624,026)
Adjustments for:		
Depreciation of property, plant and equipment	4,323,376	4,360,795
Depreciation of investment in property	174,336	174,975
Provision for doubtful debt	1,478,654	2,126,128
Provision for employees' end of service benefits	195,967	217,531
Provision for legal expense	8,758,474	-
Loss for Write-off WIP	433,754	-
Gain on sale of property, plant and equipment		(12,000)
Changes in operating assets and liabilities:		
Trade receivables	(1,113,941)	674,090
Prepayments and other receivables, net	(315,796)	(28,390)
Trade payable	449,770	(27,638)
Accrued expenses and other credit balance	1,099,244	2,206,946
Net cash generated from operations	2,409,170	4,068,411
EOS paid	(160,042)	(177,382)
Zakat paid	(596,409)	(810,951)
Net cash generated from operating activities	1,652,719	3,080,078
Investing activities		
Purchase of property, plant and equipment	(1,820,645)	(971,809)
Proceeds from sale of property, plant and equipment	-	12,000
Net cash (used in) investing activities	(1,820,645)	(959,809)
Change in cash and cash equivalents	(167,926)	2,120,269
Cash and cash equivalents at the beginning of the year	15,776,891	11,547,822
Cash and cash equivalents at the end of the period	15,608,965	13,668,091

Chief Financial Officer
Ahmed Mohammed Suleiman

Chief Executive Officer
Ali Abdullah AL Selham

The accompanying notes form part of these condensed interim financial statements



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

**Notes to The Interim Condensed Financial Statements
For the Three and Nine – Month Period Ended 30 September 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 20 Moharam, 1412 corresponding to 1 August, 1991.

The company is engaged in managing business and tourism buildings including, chalets, motels, hotels, parks, restaurants, cities, playgrounds, swimming pools, rest houses, central service station and all services 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 1 Muharram, 1410 corresponding to 3 August, 1989 ending on 30 Dhu al-Hijjah, 1450 corresponding to 14 May, 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 include the head office accounts and the accounts of the branches.

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

2- Basis of preparation

2/1 Statement of compliance

These financial statements have been prepared for the three and nine- month period then ended 30 September 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 16 October, 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 31 December, 2020.

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.

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

Notes to The Interim Condensed Financial Statements "continued"
For the Three and Nine Month Period Ended 30 September 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 condensed interim financial statements. These significant estimates and assumptions have been disclosed in the annual financial statements for the year ended 31 December 2020.

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.

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 1 January, 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.

The accumulated losses 48,853,075 SR which represent 48% of the company share capital as of 30 September 2021 and this indicates the possibility of Material Uncertainty Related to Going Concern.

Based on the meeting of the company's board of directors on 16 Muharrem, 1443H, corresponding to 24 August, 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 priority shares rights of its shares for the requirements of the business interest and in support of its future investment plans. to be as follows:

A) Capital Reduction

Recommendation to reduce the company's capital in order to amortize the accumulated losses that amounted to (48,933,070 SR), 48,21% of the company's capital of 101,500,000 SR, so that the company's capital after the reduction becomes 52,566,930 SR.

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	5,256,693	4,893,307

Accordingly, these condensed financial statements have been prepared on a going concern basis.

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

Notes to The Interim Condensed Financial Statements "continued"
For the Three and Nine Month Period Ended 30 September 2021
(All amounts are in Saudi Riyals)

4- Zakat

4/1 Movement in provision during the period

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

	30 September 2021	31 December 2020
Balance at the beginning of the period	598,990	793,799
Increase of the accrued zakat	-	17,152
Zakat adjustments	397,022	148,092
Provided during the period	570,000	575,577
Paid during the period	(596,409)	(935,630)
Balance at the end of the period	969,603	598,990

4/2 Zakat Status

The company submitted the zakat return for all years up to 31 December 2020, and paid its due according to these zakat returns.

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

The company received the zakat assessment for the years from 2019 until 2020, and the zakat assessment by an amount of 397,022 SR.

5- Contingent liabilities

On 9 Jumada Al-Akher, 1440 corresponding to 14 February, 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.

On 4 Dhu Al Qaeda, 1440 corresponding to 7 July, 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 statements 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 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 of around 5 million Saudi riyals, which represent the contract value until the completion of the legal procedures.

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

Notes to The Interim Condensed Financial Statements "continued"
For the Three and Nine Month Period Ended 30 September 2021

(All amounts are in Saudi Riyals)

5- Contingent liabilities(continued)

On 20 Rajab, 1442 AH, corresponding to 4 March, 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 Enterprise Company (Shams), and the company has hedged the formation of a claims allowance within the limits of the company's share in the capital of Hemaya Company for Security, Safety Equipment's and Trading Ltd.

6- Revenue

	<i>For three- months period</i>		<i>For nine- months period</i>	
	<i>Ended 30 September</i>		<i>Ended 30 September</i>	
	2021	2020	2021	2020
Annual rent revenue	246,902	179,129	522,943	279,561
Daily rent revenue	2,964,309	5,137,907	8,675,655	6,810,332
Services and other fees revenue	1,026,858	1,072,467	3,018,482	3,167,036
	4,238,069	6,389,503	12,217,080	10,256,929

7- Cost of revenue

The cost of services includes depreciation of property and equipment whose value during the period amounted to 4,179,288 SR (compared to 4,206,449 SR during the period ending on 30 September, 2020).

8- General and administrative expenses

General and administrative expenses include depreciation of property and equipment whose value during the period amounted to 144,088 SR (compared to 154,346 SR during the period ending on 30 September, 2020) in addition to amortization of real estate investments of 174,336 SR (compared to 174,975 SR during the period ending on 30 September 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 is (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.

Tourism Enterprise Company (Shams)
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Notes to The Interim Condensed Financial Statements "continued"
For the Three and Nine Month Period Ended 30 September 2021
(All amounts are in Saudi Riyals)

10- Financial risk management (continued)

Credit risk

It is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The company has no significant concentration of credit risks. Cash and cash equivalents are placed with national and international banks with sound credit ratings.

Foreign currency exchange risk

The value of a financial instrument will fluctuate the risk due to changes in foreign exchange rates. The company's transactions are principally in Saudi Riyal and United States dollar. 1. Currency risk is managed on regular basis.

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 period figures have been reclassified to conform to the current period 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 Rabi` al Thani 1443H corresponding to 9 November 2021G by the Board of Directors.