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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company
(A Saudi Arabian Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Abdulmohsen Alhokair Tourism and Development Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the accumulated losses of the Group recached SR 302.3 million as of 31 December 2020, exceeding half of the company's capital, and the current liabilities of the Group exceeded its current assets, resulting in a negative working capital of SR 577.82 million as of 31 December 2020. These conditions indicate that a material uncertainty exists that may cast a significant doubt on the Group's ability to continue as a going concern. As stated in note 2, the management has made an assessment of the Group's ability to continue as a going concern, and as result, these consolidated financial statements has been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. In addition to the instruction described in the section "Material uncertainty related to Going Concern." For each matter below, our description of how our audit addressed the matter is provided in that context.

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INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company (continued)
(A Saudi Arabian Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements (continued)

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

Key audit matter	
i) Impairment of non-financial assets	
a. Assessing impairment of property and equipment	***How our audit addressed the key audit matter***
As at 31 December 2020, the Group's consolidated statement of financial position includes property and equipment amounting to SR 1,078.2 million. As part of its impairment assessment, the management has identified impairment indicators that relate to significant decreases in revenue and operating cashflows for certain assets. Accordingly, management has carried out an exercise to determine the recoverable amount of certain Cash Generating Units ("CGU"). As a result, it was noted that the recoverable amounts of those CGUs of selected hotels and entertainment centers were lower than the carrying value. Accordingly, the Company has recorded an impairment loss of SR 28.31 million relating to property and equipment for the year ended 31 December 2020. We identified the impairment of property and equipment as a key audit matter, as the impairment assessment involves a significant degree of management judgement in determining the key assumptions of recoverable amounts; such as; projected revenue, projectced costs, growth rates, discount rate, etc. Refer to consolidated financial statements note 3.3 for the significant accounting policy relating to impairment of non-current assets, note 4 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets and note 10 for property, and equipment related disclosures.	We performed the following procedures, among others: • Reviewed the management's process in identifying impairment indicators for property and equipment; • Evaluated the reasonableness of management's assumptions and estimates in determining the recoverable amounts of the Group's CGUs, including those relating to projected revenue, projected costs, growth rates discount rate, etc. This included involvement of our internal specialists in evaluating these assumptions against external benchmarks and knowledge of the Group and its industry; • Validated the mathematical accuracy of impairment models and agreed relevant data to the latest business plans and budgets; and • Assessed the adequacy of the Group's disclosures in respect of underlying assumptions, estimates used to determine carrying values and impairment losses of the respective CGUs.

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matter (continued)

ii) Negative working capital and accumulated losses

a. Assessment of negative of negative working capital and accumulated losses	***How our audit addressed the key audit matter***
The statement of financial position of the Group as of December 31, 2020 shows that the current liabilities exceeded its current assets, resulting in a negative working capital of SR 577.82 million. In addition, the accumulated losses of the Group of SR 302.33 million has exceeded half of its capital, which is subject to certain regulatory procedures according to the "Companies Law". The management has made an assessment of its negative working capital and has initiated certain measures to address its forecasted cash flows. Moreover, the Group's has taken certain steps to address its accumulated losses that are exceeding half of the Capital. The consolidated financial statements have been prepared on a going concern basis. We identified the negative working capital and accumelated losses as a key audit matter, as the management assessment is considerd important for the going concern assumption and also it is largely based on expectations made by management, that can be influenced by subjective elements; such as estimated future cash flows and forecasted results. Refer to consolidated financial statements note 2 for going concern disclosure note.	We performed the following procedures, among others: • Obtained an understanding of the management process in addressing negative working capital; • Reviewed the overall reasonableness of inputs and assumptions in the cash flow forecast against historical performance, and the Group's business plan; • Assessed the key assumptions used by management in preparing its cash flow forecast; including those pertaining to revenue growth, forecasted costs and expenses and the expected timing of significant payments; • Inspected certain documentation that relate to banks credit facilities and management assessment of compliance with loans covenant; • Assessed the adequacy of the Group's disclosures in respect to the preparation of the consolidated financial statements on a going concern basis.

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INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company (continued)
(A Saudi Arabian Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2020 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of Abdulmohsen Alhokair Tourism and Development Company (continued)
(A Saudi Arabian Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements
As set out in note 2 to the financial statements, the Company has taken certain legal steps in order to comply with the requirements of the Companies' Law in respect of accumulated losses exceeding half of the capital. However, as at the date of this report, the legal formalities are not completed yet.

for Ernst & Young

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

Riyadh: 18 Sha'aban 1442H
31 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	*2020 SR '000*	*2019 SR '000*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**67,774**	33,828
Trade receivables	6	**51,865**	105,554
Prepayments and other current assets	7	**98,641**	108,303
Inventories	8	**22,979**	26,122
TOTAL CURRENT ASSETS		**241,259**	273,807
NON-CURRENT ASSETS			
Investments in joint ventures	9	**107,183**	114,795
Property, equipment, and projects under construction	10	**1,078,295**	1,215,666
Right of use assets	11	**774,837**	1,500,485
TOTAL NON-CURRENT ASSETS		**1,960,315**	2,830,946
TOTAL ASSETS		**2,201,574**	3,104,753
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Payables and other current liabilities	12	**223,005**	253,185
Short term loans and current portion of long term loans	13	**354,912**	243,156
Current portion of lease liabilities	14	**227,624**	269,719
Provision for zakat	15	**13,542**	16,878
TOTAL CURRENT LIABILITIES		**819,083**	782,938
NON-CURRENT LIABILITIES			
Non-current portion of long term loans	13	**347,906**	379,061
Non-current portion of lease liabilities	14	**737,826**	1,440,865
Employees' terminal benefits liabilities	16	**49,335**	62,076
TOTAL NON-CURRENT LIABILITIES		**1,135,067**	1,882,002
TOTAL LIABILITIES		**1,954,150**	2,664,940
SHAREHOLDERS' EQUITY			
Share capital	17	**550,000**	550,000
Statutory reserve	18	**-**	-
Other reserves	19	**(242)**	(8,009)
Accumulated losses	2	**(302,334)**	(102,178)
TOTAL SHAREHOLDERS' EQUITY		**247,424**	439,813
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,201,574**	3,104,753

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	*2020* *SR '000*	*2019* *SR '000*
REVENUES			
- Hotels	21	**395,322**	596,413
- Entertainment	21	**183,103**	449,134
- Others		**34,683**	64,472
TOTAL REVENUES		**613,108**	1,110,019
DIRECT COSTS			
- Hotels		**(322,575)**	(466,221)
- Entertainment		**(239,479)**	(307,939)
- Others		**(38,926)**	(63,779)
TOTAL DIRECT COSTS		**(600,980)**	(837,939)
GROSS PROFIT		**12,128**	272,080
EXPENSES			
Selling and marketing	22	**(33,303)**	(68,038)
General and administration	23	**(166,468)**	(195,651)
TOTAL EXPENSES		**(199,771)**	(263,689)
OPERATING (LOSS) INCOME		**(187,643)**	8,391
Financial charges on loans	13	**(30,108)**	(30,629)
Financial charges on lease liabilities	14	**(59,105)**	(97,209)
Gain from lease modification	11	**76,884**	-
Other income (expenses), net	24	**2,308**	(39,803)
Share in net results of joint ventures	9.1	**(3,735)**	16,261
LOSS BEFORE ZAKAT		**(201,399)**	(142,989)
Zakat	15.1	**1,243**	-
NET LOSS FOR THE YEAR		**(200,156)**	(142,989)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to consolidated income during the subsequent periods:			
Actuarial gains on employees' terminal benefits	19	**7,669**	323
Items that will be reclassified to the consolidated statement of comprehensive income during the subsequent periods:			
Exchange differences on translation of foreign operations	19	**98**	147
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**7,767**	470
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(192,389)**	(142,519)
LOSS PER SHARE:			
Basic and diluted loss per share (SR)	25	**(3.64)**	(2.60)

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

	Note	*Share capital SR '000*	*Statutory reserve SR '000*	*Other reserves SR '000*	*Accumulated losses SR '000*	*Total shareholders' equity SR '000*
For the year ended 31 December 2020						
At the beginning of the year		550,000	-	(8,009)	(102,178)	439,813
Net loss for the year		-	-	-	(200,156)	(200,156)
Other comprehensive income for the year	19	-	-	7,767	-	7,767
Total comprehensive loss for the year		-	-	7,767	(200,156)	(192,389)
At the end of the year		**550,000**	**-**	**(242)**	**(302,334)**	**247,424**
For the year ended 31 December 2019						
At the beginning of the year		550,000	71,693	(8,479)	(30,882)	582,332
Net loss for the year		-	-	-	(142,989)	(142,989)
Other comprehensive income for the year	19	-	-	470	-	470
Total comprehensive loss for the year		-	-	470	(142,989)	(142,519)
Transfer to accumulated losses	18	-	(71,693)	-	71,693	-
At the end of the year		550,000	-	(8,009)	(102,178)	439,813

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020 SR'000	2019 SR'000
OPERATING ACTIVITIES			
Loss before zakat		**(201,399)**	(142,989)
Adjustments for:			
Depreciation of property and equipment	10.1	**158,488**	164,371
Impairment of property and equipment	10.1	**28,307**	-
Depreciation of right of use assets	11	**134,196**	200,222
Rent concession	21	**(47,163)**	-
Gain from lease modification	21	**(76,884)**	-
Gain on disposal of right of use assets	25	**(5,200)**	-
Provision for impairment of trade receivable	6.1	**5,573**	4,634
Provision for slow moving inventory	8.1	**1,057**	579
Share in net results of joint ventures	9.1	**3,735**	(16,261)
Loss on disposal of property and equipment	25	**3,131**	30,228
Financial charges on loans	13	**30,108**	30,629
Financial charges on lease liabilities	14	**59,105**	97,209
Employees' terminal benefits liabilities, net		**(4,293)**	(1,533)
		88,761	367,089
Changes in operating assets and liabilities:			
Receivables and other current assets		**32,243**	94,846
Inventories		**2,086**	1,167
Payables and other current liabilities		**(13,059)**	(67,075)
Cash from operation		**110,031**	396,027
Zakat paid		**(2,093)**	-
Financial charges paid		**(26,626)**	(30,804)
Net cash from operating activities		**81,312**	365,223
INVESTING ACTIVITIES			
Additions to property and equipment	10.1	**(42,647)**	(68,205)
Additions to projects under construction	10.4	**(14,230)**	(36,600)
Dividends received from joint ventures	9.1	**-**	1,455
Proceeds from disposal of property and equipment		**4,361**	3,752
Addition of a joint venture	9.1	**-**	(17,869)
Net cash used in investing activities		**(52,516)**	(117,467)
FINANCING ACTIVITIES			
Proceeds from loans		**423,954**	230,600
Repayment of loans		**(343,353)**	(233,148)
Payment of lease liabilities		**(75,549)**	(265,182)
Net cash from (used in) financing activities		**5,052**	(267,730)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**33,848**	(19,974)
Exchange differences on translation of foreign operations	19	**98**	147
Cash and cash equivalents at the beginning of the year		**33,828**	53,655
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**67,774**	33,828
Non-cash transactions:			
Transfer from projects under construction to property and equipment	10	**19,987**	49,376
Dividends from joint ventures	9.1	**7,500**	20,000

The attached notes 1 to 32 form an integral part of these 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 malls
- Restaurants, parks and similar facilities

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

	Direct and indirect Ownership %			
Subsidiary	2020	2019	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%**	85%	Establishment and operation of sport facilities projects	Kingdom of Saudi Arabia

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

2 GOING CONCERN

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

The statement of financial position as of December 31, 2020 shows that the accumulated losses of the Group of SR 302.33 million exceed half of its capital, which is subject to certain regulatory procedures according to "Companies Law". In addition, as of December 31, 2020, the current liabilities of the Group exceeded its current assets, resulting in a negative working capital of SR 577.82 million. These conditions indicate the existence of an uncertainty that may cast a significant doubt on the Group's ability to continue as a going concern.

2 GOING CONCERN (CONTINUED)

The management has made an assessment of the Group's ability to continue as a going concern; as follows:

Accumulated losses exceeding half of capital
According to the requirements of Article 150 of the Companies Law, the Group is required to follow certain steps and procedures, if its accumulated losses exceed half of the Capital.

Accordingly, the Group's board of directors , on 11 Rabi Awal 1442H (corresponding to 28 October 2020), made its recommendation to the extraordinary general assembly to absorb accumulated losses of SR 207 M through a reduction in capital and also to increase the capital of the Company by offering rights issue of SR 307 M. As a result, the Company's capital will be SR 650 M. The Company has completed the respective filing to the Capital Market Authority and is awaiting for the necessary approvals.

Negative working capital (SR 577.82 M)
The management has made a assessment of its negative working capital, including preparation of a business plan and forecasted cash flows for the year 2021, and is satisfied that the Company has the required resources to continue in business and would be able to generate sufficient cash flows to enable it to meet its obligations on a timely basis for the next 12 months from the data of these financial statements.

The following were the key measures that were considered by management to address negative working capital:

- Obtained approvals from certain banks to defer settlements of short-term loans;
- Initiated discussions with lessors to reschedule payments of lease liabilities that are due in one year;
- Use the unutilized facilities as of end of 31 December 2020, which the Group has eligibility to withdraw; and
- The cash proceeds that's expected from the increase in capital of SR 307 M (as referred to it above)

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 STATEMENT OF COMPLIANCE

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020.

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

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Business combinations

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held), over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations (continued)

reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of comprehensive income then the gain is recognised in the consolidated statement of comprehensive income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Investment in joint ventures

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

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

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

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

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

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

Revenue recognition

The Group provides hospitality and entertainment services to its customers. Revenue from contracts from customers are recognized when the control over the goods and services are transferred to the customer in an amount that reflects the compensation earned by the Group for those goods and services. The Group has concluded that it acts as a principal for all its revenue arrangements.

Revenue from hotels

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

Revenue from entertainment parks

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

Rental income

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Transactions and balances

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

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

Translation of group companies

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

Property, equipment, and projects under construction

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

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

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

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

Leases

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right of Use (RoU) Assets / Lease Liabilities

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

Right of Use Assets

The Group applies the cost model, and measures right of use assets at cost:
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications.

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

Lease Liability

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

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

Borrowing cost

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

Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

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

Trade receivables

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

ii) Financial assets (continued)

A financial asset is derecognised when:

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, and bank balances that are repayable on demand and form an integral part of the Group's cash management.

Unbilled revenue

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

Deferred revenue

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

Franchise and management fee

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

Impairment of non-financial assets

The Group, at each reporting period, reviews the carrying amounts of its long-term assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax/zakat discount rate.

If the recoverable amount of the asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognised in the consolidated statement of comprehensive income.

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

Provisions

General

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' terminal benefits liabilities

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognises contribution payable to the GOSI as an expense when due.

In addition to the above, employees' terminal benefits are provided for in accordance with the requirements of the Saudi Arabian Labor Law and the Group's policies (in case of subsidiaries, employees' terminal benefits is provided for in accordance with the regulation in countries of incorporation). These employees' terminal benefits represent a defined benefit plan. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The net pension liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognised and reported within other reserves under the consolidated statement of changes in shareholders' equity with corresponding debit or credit to OCI that comprises of actuarial gains and losses on the defined benefits obligation.

Zakat

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

Withholding tax

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

Value added tax

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

- *When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;*
- *When receivables and payables are stated with the amount of value added tax included.*

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Dividends

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating segment

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

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

3.4 AMENDEMENTS AND CHANGES IN ACCOUNTING POLICIES RESULTING FROM AMENDEMENTS IN STANDARDS

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

3.5 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 consolidated financial statements are disclosed below. The Group intends to adopt this standard, if applicable, when they become effective.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 NEW STANDARDS ISSUED BUT NOT EFFECTIVE (CONTINUED)

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

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

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

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

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

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

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

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

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

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IAS 41 Agriculture – Taxation in fair value measurements

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 NEW STANDARDS ISSUED BUT NOT EFFECTIVE (CONTINUED)

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

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

4 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

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

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

Going concern

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

Impairment of non-financial assets

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

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 6.

Determining the lease term of contracts with renewal and termination options

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

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

Refer to Note 14 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

4 SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES (CONTINUED)

Employees' terminal benefits liabilities

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

Discount rate

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

Mortality rate

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

Salary rate and future pension increase

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

Property and equipment useful life and residual value

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

Customers' unexercised rights

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

5 CASH AND CASH EQUIVALENTS

	2020 SR '000	2019 SR '000
Cash in hand	**3,110**	3,458
Cash at bank	**64,664**	30,370
	67,774	33,828

6 TRADE RECEIVABLES

	2020 SR '000	2019 SR '000
Trade receivables	**64,992**	121,379
Less: provision for trade receivables impairment (note 6.1)	**(13,127)**	(15,825)
	51,865	105,554

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

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

(iii) The vast majority of the Group's trade receivables are concentrated in the Kingdom of Saudi Arabia. As of 31 December 2020, 23.6% of trade receivable balance is due from governmental and quasi-governmental parties (31 December 2019: 48.9%).

(iv) As at 31 December 2020, trade receivables with an initial carrying value of SR 13.1 million (31 December 2019: SR 15.8 million) were impaired and provided for, as appropriate.

6.1 Movement in provision for impairment of trade receivable for the two years ended 31 December:

	2020 SR '000	2019 SR '000
At the beginning of the year	**15,825**	11,561
Charge for the year (note 24)	**5,573**	4,634
Amounts written off during the year	**(8,271)**	(370)
At the end of the year	**13,127**	15,825

6.2 Aging analysis of trade receivables as of 31 December:

		Neither past due nor impaired			*Past due but not impaired*		
	Total *SR '000*	*< 30 days* *SR '000*	*30-60 days* *SR '000*	*61-90 days* *SR '000*	*91-180 days* *SR '000*	*>180 days* *SR '000*	*Past due* *SR '000*
2020	**64,992**	**8,743**	**5,736**	**3,560**	**13,412**	**26,633**	**6,908**
2019	121,379	15,193	8,467	19,669	27,683	49,259	1,108

7 PREPAYMENTS AND OTHER CURRENT ASSETS

	2020 SR '000	2019 SR '000
Amounts due from related parties (note 20.3)	**45,794**	34,702
Prepaid expenses	**17,744**	25,385
Unbilled revenue	**12,397**	11,937
Advances to suppliers	**8,676**	19,672
Employees' receivable	**2,009**	2,048
Other current assets	**12,021**	14,559
	98,641	108,303

For terms and conditions relating to due to related parties , refer to note 21.2.

8 INVENTORIES

	2020 SR '000	2019 SR '000
Spare parts	**12,539**	12,306
Materials and supplies	**5,944**	7,582
Toys	**5,485**	4,983
Food and beverages	**2,585**	3,790
Others	**3,130**	3,183
	29,683	31,844
Less: provision for slow moving inventories (note 8.1)	**(6,704)**	(5,722)
	22,979	26,122

8.1 Movement in provision for slow moving inventories for the two years ended 31 December:

	2020 SR '000	2019 SR '000
At the beginning of the year	**5,722**	5,453
Charge for the year	**1,057**	579
Amounts written off during the year	**(75)**	(310)
At the end of the year	**6,704**	5,722

9 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 consolidated financial statements.

	Ownership			
	2020 %	2019 %	2020 SR '000	2019 SR '000
Joint Ventures				
Tourism and Real Estate Development Company	**48.5**	48.5	**67,927**	65,427
Asateer Company for Entertainment Projects Limited	**50.0**	50.0	**18,725**	20,122
Luxury Entertainment LLC (*)	**31.0**	31.0	**14,043**	17,318
Al Qaseem Trading Company Limited	**50.0**	50.0	**4,847**	8,152
Tarfeeh Company for Tourism and Projects Limited	**50.0**	50.0	**1,591**	3,726
Al Khaleejiya Company for Entertainment Limited	**50.0**	50.0	**50**	50
			107,183	114,795

(*) During the second quarter ended 30 June 2019, the Company invested in Luxury Entertainment LLC (a new joint venture), which is a limited liability company registered in Riyadh which will be engaged in the establishment of Cinema theaters.

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

	2020 SR '000	2019 SR '000
At the beginning of the year	**114,795**	96,644
Addition during the year	**-**	17,869
Share in net results	**(3,735)**	16,261
Share in other comprehensive income items (note 19)	**34**	-
Absorption of losses	**3,589**	5,476
Dividends	**(7,500)**	(21,455)
At the end of the year	**107,183**	114,795

9.2 Interest in material joint ventures

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

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

9 INVESTMENTS IN JOINT VENTURES (CONTINUED)

9.2 Interest in material joint ventures (continued)

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

	2020 SR '000	2019 SR '000
Current assets, including cash, cash equivalents and prepayments	**29,079**	19,123
Non-current assets	**122,202**	127,702
Current liabilities, including zakat payable	**(8,391)**	(9,152)
Non-current liabilities	**(2,835)**	(2,773)
Equity	**140,055**	134,900
Proportion of the Group's ownership	**48.5%**	48.5%
Carrying amount of the investment	**67,927**	65,427

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

	2020 SR '000	2019 SR '000
Revenues	**28,255**	37,678
Expenses	**(16,913)**	(21,082)
Administrative expenses, including depreciation	**(11,155)**	(14,218)
Finance cost	**-**	(94)
Other income	**5,176**	7,889
Income before zakat	**5,363**	10,173
Zakat	**(208)**	(276)
Net income for the year	**5,155**	9,897
Total comprehensive income for year	**5,155**	9,897
Group's share of total comprehensive income for the year	**2,500**	4,800

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

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

9 INVESTMENTS IN JOINT VENTURES (CONTINUED)

9.2 Interest in material joint ventures (continued)

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

	2020 SR '000	2019 SR '000
Current assets, including cash, cash equivalents and prepayments	**13,949**	11,063
Non-current assets	**40,091**	45,096
Current liabilities, including zakat payable	**(16,015)**	(15,439)
Non-current liabilities	**(576)**	(477)
Equity	**37,449**	40,243
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**18,725**	20,122

Statement of comprehensive income of Asateer Company for Entertainment Projects Limited for the two years ended 31 December:

	2020 SR '000	2019 SR '000
Revenues	**16,964**	39,253
Expenses	**(7,973)**	(20,910)
Administrative expenses, including depreciation	**(11,251)**	(13,641)
Finance cost	**(373)**	(1,012)
Other income	**26**	-
(Loss) income before zakat	**(2,607)**	3,690
Zakat	**(187)**	(344)
Net (loss) income for the year	**(2,794)**	3,346
Total comprehensive (loss) income for year	**(2,794)**	3,346
Group's share of total comprehensive income (loss) for the year	**(1,397)**	1,673

Moreover, the Group has a 50% interest in Al Qaseem Trading Company Limited, a joint venture involved in the commercial business in Saudi Arabia.

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

9 INVESTMENTS IN JOINT VENTURES (CONTINUED)

9.2 Interest in material joint ventures (continued)

Statement of financial position of Al Qaseem Trading Company Limited as of 31 December:

	2020 SR '000	2019 SR '000
Current assets, including cash, cash equivalents and prepayments	**4,899**	59,796
Non-current assets	**140,554**	24,292
Current liabilities, including zakat payable	**(38,724)**	(14,103)
Non-current liabilities	**(97,036)**	(53,681)
Equity	**9,693**	16,304
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**4,847**	8,152

Statement of comprehensive income of Al Qaseem Trading Company Limited for the two years ended 31 December:

	2020 SR '000	2019 SR '000
Revenues	**49,171**	57,465
Expenses	**(10,039)**	(15,607)
Administrative expenses, including depreciation	**(25,781)**	(10,752)
Finance costs	**(6,183)**	(150)
Other income	**3,750**	-
Income before zakat	**10,918**	30,956
Zakat provision (reversal of Zakat), net	**(2,598)**	474
Net income for the year	**8,320**	31,430
Other comprehensive income	**69**	-
Total comprehensive income for year	**8,389**	31,430
Group's share of total comprehensive income for the year	**4,195**	15,715

10 PROPERTY, EQUIPMENT, AND PROJECTS UNDER CONSTRUCTION

	Notes	2020 SR '000	2019 SR '000
Property and equipment	10.1	**1,059,776**	1,191,390
Projects under construction	10.2 and 10.3	**18,519**	24,276
		1,078,295	1,215,666

10 PROPERTY, EQUIPMENT, AND PROJECTS UNDER CONSTRUCTION (CONTINUED)

10.1 Property and equipment

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

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

	Buildings and 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 2020 SR'000
Cost:								
At the beginning of the year	1,150,717	658,074	275,027	27,762	86,925	85,596	167,118	**2,451,219**
Additions	14,712	15,165	7,160	82	1,476	3,232	820	**42,647**
Disposals	(13,516)	(10,706)	(1,631)	(379)	(202)	(937)	-	**(27,371)**
Transfer from projects under construction (note 10.3)	13,914	-	1,261	-	1,416	735	2,661	**19,987**
Others	536	49	158	4	62	10	221	**1,040**
At the end of the year	1,166,363	662,582	281,975	27,469	89,677	88,636	170,820	**2,487,522**
Depreciation:								
At the beginning of the year	364,480	445,060	197,189	26,650	52,205	68,329	105,916	**1,259,829**
Charge for the year (*)	65,640	45,278	19,335	1,005	8,210	7,256	11,764	**158,488**
Impairment loss (note 10.2)	28,307	-	-	-	-	-	-	**28,307**
Disposals	(8,878)	(8,127)	(1,451)	(372)	(191)	(860)	-	**(19,879)**
Others	536	13	158	1	62	10	221	**1,001**
At the end of the year	450,085	482,224	215,231	27,284	60,286	74,735	117,901	**1,427,746**
Net book values:								
As at 31 December 2020	**716,278**	**180,358**	**66,744**	**185**	**29,391**	**13,901**	**52,919**	**1,059,776**

(*) Depreciation charge for the year is allocated to the direct costs

10 PROPERTY, EQUIPMENT, AND PROJECTS UNDER CONSTRUCTION (CONTINUED)

10.1 Property and equipment (continued)

	Building and 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 2019 SR'000
Cost:								
At the beginning of the year	1,161,501	650,074	266,965	29,523	81,650	81,716	173,919	**2,445,348**
Additions	27,925	19,713	10,657	237	3,848	4,837	988	**68,205**
Disposals (**)	(70,554)	(23,381)	(6,675)	(2,000)	(1,465)	(2,044)	(5,221)	**(111,340)**
Transfer from projects under construction (note 10.3)	31,818	5,629	3,931	-	2,576	993	4,429	**49,376**
Others	27	6,039	149	2	316	94	(6,997)	**(370)**
At the end of the year	1,150,717	658,074	275,027	27,762	86,925	85,596	167,118	**2,451,219**
Depreciation:								
At the beginning of the year	338,934	416,635	181,731	26,597	44,656	60,094	104,147	**1,172,794**
Charge for the year (*)	67,516	43,506	20,325	2,023	8,084	10,145	12,772	**164,371**
Disposals	(41,963)	(20,613)	(4,954)	(1,971)	(851)	(2,000)	(4,735)	**(77,087)**
Others	(7)	5,532	87	1	316	90	(6,268)	**(249)**
At the end of the year	364,480	445,060	197,189	26,650	52,205	68,329	105,916	**1,259,829**
Net book values:								
As at 31 December 2019	**786,237**	**213,014**	**77,838**	**1,112**	**34,720**	**17,267**	**61,202**	**1,191,390**

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

(*) All the depreciation charged for the year is allocated to the direct cost.
(**) Disposals relate to closing certain entertainment locations and disposing respective assets.

10 PROPERTY, EQUIPMENT, AND PROJECTS UNDER CONSTRUCTION (CONTINUED)

10.2 Impairment of property and equipment

The Group has performed an impairment assessment of property and equipment, by reviewing the carrying amounts of its property and equipment to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount for each Cash Generating Unit (CGU) of the hotel sector and entertainment sector as at 31 December 2020 has been determined based on a value in use calculation, using cash flow projections from business plans covering a five-year period that were prepared by senior management and approved by the board of directors. It was concluded that the recoverable amount was lower than the carrying value for certain CGUs in both sectors and as a result, the Group has recorded an impairment loss of SR 13.91 million for certain hotels and SR 14.40 million for certain entertainment sectors. The total impairment loss of SR 28.31 million is recorded as part of direct costs in the statement of income.

Following are the key assumptions that were used in the recoverable amounts calculation:

- Gross Margins
- Discount rates

Gross Margins – Gross margins are based on average values expected to be achieved in the next five years for each location individually based on its size, occupancy rate and the expected number of visitors/customers. The Group is not expecting major expansions during the forecast period but refurbishment of existing hotels and additional attractions in the entertainment centers will contribute to generate revenues.

Discount rates − Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow projections. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The discount rate applied to cash flow projections was between 10% - 11%.

10.3 Projects under construction

Projects under construction represent cost of two new entertainment centers (31 December 2019: three entertainment centers), one commercial center (31 December 2019: one commercial centers) in Kingdom of Saudi Arabia that are currently under construction, in addition to renovation costs of existing hotels and entertainment centers.

10.4 Movement in the projects under construction for the two years ended 31 December:

	2020 SR '000	2019 SR '000
At the beginning of the year	**24,276**	37,052
Additions	**14,230**	36,600
Transfers to property and equipment (note 10.1)	**(19,987)**	(49,376)
At the end of the year	**18,519**	24,276

11 RIGHT OF USE ASSETS

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

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

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

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

11 RIGHT OF USE ASSETS (CONTINUED)

	Land SR'000	Buildings and offices SR'000	Spaces in malls SR'000	Residential units SR'000	Total SR'000
Cost:					
At the beginning of the year	181,729	1,282,452	562,444	10,118	**2,036,743**
Additions	839	-	-	-	**839**
Disposals (*)	(22,202)	(325,822)	-	-	**(348,024)**
Adjustments	(663)	(19,025)	7,417	-	**(12,271)**
At the end of the year	159,703	937,605	569,861	10,118	**1,677,287**
Depreciation:					
Charge for the year	18,141	102,231	75,988	3,862	**200,222**
Disposals (*)	(3,005)	(20,415)	-	-	**(23,420)**
At the end of the year	15,136	81,816	75,988	3,862	**176,802**
Net book values:					
As at 31 December 2019	**144,567**	**855,789**	**493,873**	**6,256**	**1,500,485**

(*) During 2019, the Group has voluntarily terminated the lease contract of Marriott Jabal Omar Hotel, which has resulted in a derecognition of right of use assets of SR 304.3 million and lease liability of SR 306.2 million. Also, the Group has terminated the lease contracts of Happy land Dammam and Takhasossi apartments, and has resulted in derecognition of right of use assets of SR 19.2 and SR 1.1 million respectively.

12 PAYABLES AND OTHER CURRENT LIABILITIES

	2020 SR '000	2019 SR '000
Trade payables	**95,152**	101,427
Accrued expenses	**76,591**	70,310
Accrued rent	**18,270**	15,935
Deferred revenue (note 12.1)	**17,643**	22,462
Amounts due to related parties (note 20.3)	**6,392**	35,025
Other liabilities	**8,957**	8,026
	223,005	253,185

12.1 Amounts received in advance from customers and hotels guests are reported as deferred revenue. Movement in deferred revenue are as follow for the two years ended 31 December:

	2020 SR '000	2019 SR '000
At the beginning of the year	**22,462**	27,940
Received during the year	**58,411**	128,771
Revenue recognized	**(62,638)**	(133,959)
Refund payments	**(592)**	(290)
At the end of the year	**17,643**	22,462

13 LOANS

Loans represents Murabaha financing obtained from local banks. These loans carry Murabaha financing costs at prevailing commercial rates. The average commission rate for Murabaha financing amounted to 3.08% as of 31 December 2020 (31 December 2019: 4.52%).

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

	2020 SR '000	2019 SR '000
Current portion of long term loans	**245,612**	174,980
Short term loans	**109,300**	68,176
	354,912	243,156
Non-current portion of long term loans	**347,906**	379,061
	702,818	622,217

(i) The loan agreements contain covenants, mainly relating to certain leverage ratio, total debt to equity ratio, and others. Under the terms of these agreements, banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Group was in compliance with those loans covenants as at 31 December 2020 and 2019, with the exception of certain covenants required by three banks. However, waivers from these banks have been obtained before the end of the reporting period.

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

(iii) The fair values of the Group's commission -bearing long term loans amounting to SR 347.5 million (31 December 2019: SR 367.6 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 31 December 2020 and 2019 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.

14 LEASE LIABILITIES

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

	2019 SR '000	2019 SR '000
Maturity analysis - contractual undiscounted cash flows		
Within one year	**266,420**	347,342
After one year but not more than five years	**430,948**	733,043
More than five years	**510,880**	1,193,567
Total undiscounted lease liabilities	**1,208,248**	2,273,952

14 LEASE LIABILITIES (CONTINUED)

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

	2020 SR '000	2019 SR '000
Lease liabilities included in the consolidated statement of financial position as of 31 December:		
Current portion of lease liabilities	**227,624**	269,719
Non-current portion of lease liabilities	**737,826**	1,440,865
Total lease liabilities	**965,450**	1,710,584
Amounts recognised in the consolidated statement of comprehensive income for the year ended 31 December:		
Financial charges on lease liabilities	**59,105**	97,209
Variable lease payments not included in the measurement of lease liabilities	**42,300**	9,373
Expenses relating to short term leases	**15,583**	14,516

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

15 ZAKAT

Zakat expense is provided for and charged to the 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 2019 and obtained the Zakat assessments for the years up to 2017.

During 2020, the Zakat and Tax Dispute Committee in GAZT has issued its final ruling regarding the zakat assessment of 2012 and requested the Company to pay a zakat amounting to SR 1.97 million. Accordingly, the Company has reversed the zakat provision of SR 1.6 million that was created in excess of the final zakat settlement for 2012. The reversal of zakat provision was credited to the consolidated statement of comprehensive income during the second quarter of 2020.

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.

15.1 Movement in provision for zakat for the two years ended 31 December:

	2020 SR '000	2019 SR '000
At the beginning of the year	**16,878**	16,878
Adjustment related to prior year's provision	**380**	-
Reversal during the year	**(1,623)**	-
Paid during the year	**(2,093)**	-
At the end of the year	**13,542**	16,878

15 ZAKAT (CONTINUED)

15.2 Zakat base items are summarized as follows:

	2020 SR '000	2019 SR '000
Shareholder's equity	**541,991**	582,332
Opening period's provision and other adjustments	**1,641,514**	1,917,422
Book value of long-term assets	**(2,076,404)**	(2,657,372)
	107,101	(157,618)
Adjusted loss for the year	**(159,881)**	(134,995)
Zakat base	**(52,780)**	(292,613)

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

16 EMPLOYEES' TERMINAL BENEFITS LIABILITIES

16.1 General description

General description of the type of employees' terminal benefits liabilities plan and accounting policy for recognising actuarial gains and losses is disclosed in note 3.4 to the consolidated financial statements.

16.2 Principal actuarial assumptions as of 31 December:

	2020	2019
Salary increase rate	**1.11%**	1.72%
Discount rate	**2.11%**	2.72%
Number of employees covered under terminal benefits plan	**2,342**	3,364

The actuarial valuation was conducted using Projected Unit Credit method.

16.3 Employees' terminal benefit expense for the two years ended 31 December consist of the followings:

	2020 SR '000	2019 SR '000
Current service cost	**14,074**	11,284
Interest cost on benefit liabilities	**1,436**	2,392
Total benefit expense	**15,510**	13,676

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

	2020 SR '000	2019 SR '000
Opening present value of employees' terminal benefits liabilities	**62,076**	64,566
Total benefit expense (note 16.3)	**15,510**	13,676
Benefit paid	**(19,803)**	(15,209)
Transferred to related parties	**(813)**	(634)
Actuarial gains on employees terminal benefit liabilities	**(7,635)**	(323)
Closing present value of employees' terminal benefits liabilities	**49,335**	62,076

16 EMPLOYEES' TERMINAL BENEFITS LIABILITIES (CONTINUED)

16.5 Employees' terminal benefits liabilities sensitivity analysis

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

Assumptions	Salary increase rate		Discount rate	
Sensitivity level	1% increase SR '000	1% decrease SR '000	1% increase SR '000	1% decrease SR '000
2020	**5,116**	**(4,446)**	**(4,146)**	**4,849**
2019	6,327	(5,507)	(5,133)	5,993

Assumptions	Withdrawal rate		Mortality age	
Sensitivity level	10% increase SR '000	10% decrease SR '000	1 year set back SR '000	1 year set forward SR '000
2020	**(205)**	**207**	**4**	**(4)**
2019	(294)	297	4	(4)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the employees' terminal benefits liabilities as a result of reasonable changes in key assumptions occurring as at 31 December 2020 and 2019. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

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

	2020 SR '000	2019 SR '000
Within the next 12 months (next annual reporting period)	**4,364**	9,544
Between 2 and 5 years	**13,721**	29,183
Between 5 and 10 years	**15,965**	31,656
Beyond 10 years	**26,536**	53,174
Total Expected payments	**60,586**	123,557

The average duration of the defined benefit plan obligation as at 31 December 2020 is 9.12 years (31 December 2019: 8.96 years).

17 SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 55 million share of SR 10 each (31 December 2019: 55 million share of SR 10 each).

18 STATUTORY RESERVE

In accordance with the Company's bylaws, 10% of the Company's net income for the year has to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution. Due to current year losses, such transfer has not been made.

The board of directors in its meeting held on 1 Rabi Thani 1441H (corresponding to 28 November 2019) approved to absorb portion of the Company's accumulated losses through a transfer of SR 71.7 million from the Company's statutory reserve.

19 OTHER RESERVES

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

	Actuarial valuation of employees terminal benefit liabilities SR '000	Exchange differences on translation of foreign operations SR '000	Total SR '000
As at 1 January 2019	(6,032)	(2,447)	(8,479)
Net change in exchange differences on translation of foreign operations	-	147	147
Re-measurements of employees terminal benefit liabilities (note 16.4 and 9.1)	323	-	323
Other comprehensive income	323	147	470
As at 31 December 2019	(5,709)	(2,300)	(8,009)

20 RELATED PARTY TRANSACTIONS AND BALANCES

20.1 Related party transactions

The following are the details of major related party transactions:

		Amount of transaction for the two years ended 31 December	
Related Party	Nature of transaction	2020 SR '000	2019 SR '000
Principal Shareholder	Lease payments (a)	**39,390**	82,307
	Rent concession (a)	**21,471**	-
	Revenue	**2,615**	3,416
Board of directors	Salaries and related benefits (b)	**1,604**	3,258
	Remuneration for meetings	**3,022**	2,500
	Post-employment benefits	**1,013**	1,670
Joint ventures	Management fees revenue (c)	**1,031**	2,195
Affiliates	Lease payments (a)	**9,846**	11,305
	Rent revenue (d)	**557**	2,228
	Management fees revenue (c)	**221**	750
Key management executives	Salaries and related benefits (e)	**1,692**	2,889
	Post-employment benefits	**503**	500

(a) This amount represents lease payments of 26 properties (31 December 2019: 26 properties) that are leased by the Group from the principal shareholder and affiliates.

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

(b) Salaries and related benefits of SR 1.6 million (2019: SR 3.3 million) 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 entertainments (2019: nine entertainment centers) and two hotels (2019: two hotels) 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) In addition to those mentioned in note (b) above, salaries and related benefits of SR 1.7 million (2019: SR 2.9 million) were paid to three 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, directly or indirectly, including any director (whether executive or otherwise) of the Group.

20 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

20.2 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 consolidated financial position date. There have been no guarantees provided or received for any related party receivables or payables.. This assessment is undertaken each reporting period by examining the financial position of the related party and the market in which the related party operates.

20.3 Related party balances

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

	2020 SR '000	2019 SR '000
i) Amounts due from related parties		
Principal shareholder	**14,690**	11,989
Luxury Entertainment LLC (a joint venture)	**14,443**	3,892
Naqaha Healthcare Company Limited (an affiliate)	**5,564**	4,994
Tarfeeh Company for Tourism Projects Limited (a joint venture)	**4,621**	4,548
Al Khaleejiya for Entertainment Company Limited (a joint venture)	**3,364**	5,100
Mena Hotel Al Barsha Dubai (an affiliate)	**3,256**	3,082
Asateer Company for Entertainment Projects Limited (a joint venture)	**1,004**	-
Others	**1,141**	1,097
	48,083	34,702
Less: provision for impairment of related parties receivables	**(2,289)**	-
	45,794	34,702

	2020 SR '000	2019 SR '000
ii) Amounts due to related parties		
Al Qaseem Trading Company Limited (a joint venture)	**4,886**	32,690
Riyadh Plastic Factory (an affiliate)	**1,224**	1,330
Al Riyadh Co. for Tourism, Ent. & Commercial Projects (an affiliate)	**282**	135
Asateer Company for Entertainment Projects Limited (a joint venture)	-	870
	6,392	35,025

21 REVENUES

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

For the year ended 31 *December* 2020 SR '000	Hotels	Entertainment	Total
Type of service or goods			
Rooms	223,480	-	**223,480**
Food and beverage	84,795	-	**84,795**
Games and parks revenue	-	183,103	**183,103**
Other hotel revenues	87,047	-	**87,047**
Total revenue from contracts with customers	**395,322**	**183,103**	**578,425**

21 REVENUES (CONTINUED)

For the year ended 31 December 2020 SR '000	Hotels	Entertainment	Total
Timing of revenue recognition:			
Services transferred over time	310,527	183,103	**493,630**
Goods transferred at a point in time	84,795	-	**84,795**
Total revenue from contracts with customers	**395,322**	**183,103**	**578,425**

For the year ended 31 *December* 2019 SR '000	Hotels	Entertainment	Total
Type of goods or service			
Rooms	407,311	-	407,311
Food and beverage	169,483	-	169,483
Games and parks revenue	-	449,134	449,134
Other hotel revenues	19,619	-	19,619
Total revenue from contracts with customers	596,413	449,134	1,045,547
Timing of revenue recognition:			
Services transferred over time	426,930	449,134	876,064
Goods transferred at a point in time	169,483	-	169,483
Total revenue from contracts with customers	596,413	449,134	1,045,547

22 SELLING AND MARKETING EXPENSES

	2020 SR '000	2019 SR '000
Gifts, promotions and advertisement	**13,117**	28,323
Salaries and related benefits	**9,968**	16,439
Marketing fees (note 23.1)	**4,848**	8,996
Commission expenses	**3,156**	10,203
Other	**2,214**	4,077
	33,303	68,038

22.1 Certain franchise agreements require the Group to pay certain percentages of the hotels revenue for the marketing activities provided by the franchisors.

23 GENERAL AND ADMINISTRATION EXPENSES

	2020 SR '000	2019 SR '000
Salaries and related benefits	**87,675**	115,918
Government fees	**11,947**	11,886
Rent	**11,110**	2,009
Bank charges	**6,396**	8,387
Professional fees	**6,159**	4,516
Maintenance	**5,166**	5,924
Provision for impairment of trade receivable (note 6.1)	**5,573**	4,634
Utilities	**3,226**	4,536
Insurance	**3,112**	3,220
Travel	**2,381**	4,085
Hospitality	**1,063**	3,246
Pre-opening expenses	**357**	983
Others	**22,303**	26,307
	166,468	195,651

24 OTHER INCOME (EXPENSES), NET

	2020 SR '000	2019 SR '000
Loss on disposal of property and equipment	**(3,131)**	(30,228)
Charges for termination of a lease contract*	**-**	(18,185)
Gain on disposal of right of use assets	**5,200**	3,289
Other income	**239**	5,321
	2,308	(39,803)

(*) The charges majorly relate to the termination of Marriot Makkah Hotel lease contract.

25 BASIC AND DILUTED LOSS PER SHARE

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

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

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

	2020 SR '000	2019 SR '000
Loss for the year	**(200,156)**	(142,989)
	Thousands	Thousands
Weighted average number of ordinary shares outstanding during the year	**55,000**	55,000
	SR	SR
Basic and diluted loss per share	**(3.64)**	(2.60)

26 COMMITMENTS AND CONTINGENCIES

26.1 Legal contingencies

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

26.2 Capital commitments

As at 31 December 2020, the Group has capital commitments of SR 36.1 million (31 December 2019: SR 32.7 million) related to projects under constructions.

26.3 Letters of credit and guarantee

As at 31 December 2020, the Group had outstanding letters of credit and guarantee amounting to SR 10.3 million (31 December 2019: SR 18.1 million).

27 SEGMENTAL INFORMATION

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

27.1 The Group's reportable segments under IFRS 8 are as follows:
Hotels: engaged in hotel, tourism, health resorts, furnished apartments.
Entertainment: Engaged in establishment, management, operation and maintenance of fun cities, entertainment centers, parks and gardens, restaurants and cafes.
Others: includes the operations of head office, commercial center and other segments.

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

Following is a summary of key financial information for the years ended 31 December 2020 and 2019:

2020 SR '000	Hotels	Entertainment	Others	Eliminations	Total
Revenue from external customers	395,322	183,103	34,683	-	**613,108**
Inter-segment revenue	648	252	1,759	(2,659)	-
Gross profit (loss)	72,747	(56,376)	(4,243)	-	**12,128**
Expenses	107,880	58,766	33,125	-	**199,771**
Financial charges	17,106	39,443	32,664	-	**89,213**
Gain from lease modification	76,884	-	-	-	**76,884**
Other income	149	2,033	126	-	**2,308**
Shares in net results of joint ventures	-	-	(3,735)	-	**(3,735)**
Zakat	-	-	(1,243)	-	**(1,243)**
Net income (loss)	24,794	(152,552)	(72,398)	-	**(200,156)**
Property, equipment and projects under construction	487,424	509,466	81,405	-	**1,078,295**
Right of use assets	115,947	541,579	117,311	-	**774,837**
Total assets	723,555	1,120,074	357,945	-	**2,201,574**
Investments in joint ventures	-	-	107,183	-	**107,183**
Total liabilities	336,032	719,264	898,854	-	**1,954,150**
Capital expenditures	15,745	32,835	8,297	-	**56,877**

27 SEGMENTAL INFORMATION (continued)

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

2019 SR '000	Hotels	Entertainment	Others	Eliminations	Total
Revenue from external customers	596,413	449,134	64,472	-	1,110,019
Inter-segment revenue	1,288	109	3,061	(4,458)	-
Gross profit	130,192	141,196	692	-	272,080
Expenses	153,072	74,369	36,248	-	263,689
Financial charges	61,279	33,524	33,035	-	127,838
Other expenses	(24,982)	(16,504)	1,683	-	(39,803)
Shares in net results of joint ventures	-	-	16,261	-	16,261
Net (loss) income	(109,141)	16,799	(50,647)	-	(142,989)
Property, equipment and projects under construction	555,852	595,795	64,019	-	1,215,666
Right of use assets	841,580	544,972	113,933	-	1,500,485
Total assets	1,580,493	1,215,484	308,776	-	3,104,753
Investments in joint ventures	-	-	114,795	-	114,795
Total liabilities	1,158,832	672,769	833,339	-	2,664,940
Capital expenditures	27,909	57,991	18,905	-	104,805

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

For the year ended 31 *December* 2020 SR '000	Kingdom of Saudi Arabia	United Arab Emirates	Egypt	Total
Abdulmohsen Al-Hokair Group - Hotels	395,322	-	-	**395,322**
Abdulmohsen Al-Hokair Group - Entertainment/Others	206,281	-	-	**206,281**
Osool Al Mazaya Hospitality Company	1,146	-	-	**1,146**
Sparky's Land Amusement Toys Company	-	9,029	-	**9,029**
Asateer Company for Entertainment and Tourism	-	-	1,330	**1,330**
Total revenue	**602,749**	**9,029**	**1,330**	**613,108**

For the year ended 31 *December* 2019 SR '000	Kingdom of Saudi Arabia	United Arab Emirates	Egypt	Total
Abdulmohsen Al-Hokair Group – Hotels	596,413	-	-	**596,413**
Abdulmohsen Al-Hokair Group - Entertainment/Others	472,760	-	-	**472,760**
Osool Al Mazaya Hospitality Company	412	-	-	**412**
Sparky's Land Amusement Toys Company	-	39,030	-	**39,030**
Asateer Company for Entertainment and Tourism	-	-	1,404	**1,404**
Total revenue	**1,069,585**	**39,030**	**1,404**	**1,110,019**
	=======	=======	=======	=======

27 SEGMENTAL INFORMATION (continued)

27.2 Credit exposure by operating segments is as follows:

31 December 2020 SR '000	Hotels	Entertainment	Others	Total
Assets	86,628	39,023	52,909	**178,560**
Commitments and contingencies	3,649	3,436	3,009	**10,094**

31 December 2019 SR '000	Hotels	Entertainment	Others	Total
Assets	144,276	29,623	16,010	189,909
Commitments and contingencies	2,300	12,520	3,284	18,104

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

28 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximise shareholders' value. The capital structure includes all component of shareholders' equity totaling SR 247.4 million at 31 December 2020 (31 December 2019: SR 439.8 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

	2020 SR '000	2019 SR '000
Total loans (current + non-current loans)	**702,818**	622,217
Less: cash and cash equivalents	**(67,774)**	(33,828)
Net debt	**635,044**	588,389
Shareholders' equity	**247,424**	439,813
Total capital	**882,468**	1,028,202
Gearing ratio	**72.0%**	57.2%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. Refer to note 13 for compliance with loans covenants. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The management assessed that fair value of bank balances, trade and other receivables, amounts due from related parties, short term loans, amounts due to related parties, accruals and other payables approximate their carrying amounts, largely due to the short-term maturities of these instruments.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the Group's commission-bearing long term loans amounting to SR 347.5 million (31 December 2019: SR 376.6 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 31 December 2020 and 2019 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.

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT

30.1 Interest rate risk

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

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

The sensitivity of the total comprehensive loss is the effect of the assumed changes in interest rates on the Group's total comprehensive loss for the years ended 31 December 2020 and 2019, based on the floating rate loans and lease liabilities outstanding at 31 December 2020 and 2019.

Increase/ (decrease) in basis points	Effect on total comprehensive loss for the two years ended 31 December	
	2020 SR '000	2019 SR '000
+50	**1,693**	2,416
+100	**5,005**	5,533
-50	**(1,693)**	(2,416)
-100	**(5,005)**	(5,533)

30.2 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the consolidated statement of financial position date, no significant concentrations of credit risk were identified by management except what has been mentioned in note 6.

Credit risk from balances with banks is managed in accordance with the Group's relevant policy. Cash are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate a financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk at 31 December 2020 and 2019 are the carrying amounts disclosed in note 28.

30.3 Currency risk

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

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

30.4 Liquidity risk

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2020 and 2019 based on contractual payment dates and current market interest rates.

	Less than 3 months SR '000	3 to 12 Months SR '000	> 12 Months SR '000	Total SR '000
2020				
Short term and long term loans	**148,347**	**206,565**	**347,906**	**702,818**
Payables	**46,836**	**48,316**	-	**95,152**
Amounts due to related parties	-	**6,392**	-	**6,392**
2019				
Short term and long term loans	86,223	156,933	379,061	622,217
Payables	59,445	41,982	-	101,427
Amounts due to related parties	-	35,025	-	35,025

31 SUBSEQUENT EVENTS

The Group is not aware of any significant subsequent events that would have material impact on the consolidated financial statements.

32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 12 Sha'aban 1442H (corresponding to 25 March 2021).