ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2022

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

RSM Allied Accountants Professional Services Co.
Riyadh - Olaya District - Al Oruba Street
1st Floor, Building No. 3193
P.O. Box 8335, Riyadh - 12333
Tel.: +966 11 416 9361
Fax: +966 11 416 9349
Kingdom of Saudi Arabia
www.rsmsaudi.com
C.R : 4030228773

شركة ار اس ام المحاسبون المتحدون للإستشارات المهنية
الرياض – حي العليا - طريق العروبة
مبنى رقم ٣١٩٣ ، الطابق الأول
ص. ب ٨٣٣٥ ، الرياض - ١٢٣٣٣
هاتف: ٩٣٦١ ٤١٦ ١١ ٩٦٦+
فاكس: ٩٣٤٩ ٤١٦ ١١ ٩٦٦+
المملكة العربية السعودية
www.rsmsaudi.com
س.ت ٤٠٣٠٢٢٨٧٧٣

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Arabian Contracting Services Company
(A Saudi Joint Stock Company)

Opinion:

We have audited the consolidated financial statements of Arabian Contracting Services Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and accompanying 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 December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISA's) 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
Arabian Contracting Services Company
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	**How the matter was addressed in our audit**
Right-of-use assets and lease liabilities As at December 31, 2022, the carrying amount of right-of-use assets amounts to SR 1,446 million (2021: SR 2,027 million). Also, as at December 31, 2022, lease liabilities amounts to SR 1,217 million (2021: SR 1,901 million). The Group mainly leases advertising billboards sites. Significant judgement is required in the assumptions and estimates made in order to determine the right-of-use assets and lease liabilities. The accounting for leases has been considered a key audit matter due to judgements and estimates used in applying IFRS 16 (Leases).	We have performed the following procedures in this area among other matters: • Evaluated the design and implementation of management controls in place for appropriate identification and accurate accounting for leases. • Inspected the terms and conditions of the underlying contracts and evaluated management's identification of relevant lease terms on a sample of lease contracts. • Examined on a sample basis whether the appropriate discount rate is used to calculate the present value of the unpaid lease liabilities (i.e. the interest rate implicit in the lease or when not readily determinable, the incremental borrowing rate). • Re-performed management's calculation on outstanding lease liabilities and right-of-use assets for a sample of arrangements. • For a samples of leases entered into during the year, we have tested the lease schedules, by recalculating the amounts of the underlying right-of-use assets and lease liabilities, based on the terms of the lease contracts and checked the arithmetical accuracy of those individual lease schedules.
Refer to Note (4) to the consolidated financial statements for the significant accounting policy of right-of-use assets and lease liabilities, Note (3) for the disclosure of significant accounting estimates and judgements, and Note (8) for the related disclosures.	

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
Arabian Contracting Services Company
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Revenue recognition As disclosed in the consolidated financial statements, the Group reported revenues for the year ended December 31, 2022 with an amount of SR 1,126 million (December 31, 2021: SR 721 million). Revenue recognition has been considered a key audit matter due to the inherent risks of the occurrence of revenue recognition at its actual value or not properly recognizing it before the Group satisfies a performance obligation.	We have performed the following procedures in this area among other matters: • Evaluate the appropriateness of the accounting policies related to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Customers". Examined the supporting documents for a sample of revenue transactions. • Evaluate the design and implementation and test the operational effectiveness of the Group's control procedures over revenue recognition in accordance with Group's policy. • Examined on a sample basis revenue transaction made at the beginning or end of the year to assess whether revenues have been recognized in the correct period. • Tested on a sample basis the revenue transactions and verified the supporting documents, which included agreements and receipt notes from customers, to ensure the accuracy and validity of revenue recognition.
Refer to Note (4) to the consolidated financial statements for the significant accounting policy related to revenue recognition and Notes (6) and (19) for the related disclosures.	

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
Arabian Contracting Services Company
(A Saudi Joint Stock Company)

Other Matter:
The consolidated financial statements of the Group for the year ended December 31, 2021 were audited by another auditor, who expressed an unmodified opinion on those financials on Rajab 30, 1443 H (corresponding to March 3, 2022).

Other Information Included In the Group's 2022 Annual Financial Report:
Management is responsible for the other information. The other information consists of the Group's 2022 annual report, but it does not include the consolidated financial statements and the auditor's report thereon. The Group's 2022 annual report is expected to be made available to us after the date of the independent auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance 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, we consider whether the other information is materially inconsistent with the consolidated financial statements or with the information obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2022 annual report (when it is available), 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 endorsed by SOCPA and Regulations for Companies and the Company's Bylaws, 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, i.e. Board of Directors of the Group, 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 (ISA's) 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 based on these consolidated financial statements.

As part of the audit in accordance with the International Standards on Auditing (ISA's) 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 misstatements within 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, misrepresentation, 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 internal control of the Group.

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of
Arabian Contracting Services Company
(A Saudi Joint Stock Company)

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

- Evaluate the appropriateness of the accounting policies used and reasonableness of the 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 the 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, related safeguards.

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 year and are therefore the key audit matters. We describe these matters in our 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.

RSM Allied Accountants Professional Services

شركة ار اس ام المحاسبون المتحدون للإستشارات المهنية
س.ت: ٤٠٣٠٢٢٨٧٧٣
C.R.4030228773
RSM Allied Accountants Professional Services C.O

Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh, Kingdom of Saudi Arabia
24 Sha'ban 1444 H (Corresponding to March 16, 2023)

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(SAUDI RIYAL)

	Notes	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	7	**199,586,967**	193,409,253
Right-of-use assets	8	**1,445,947,004**	2,026,714,580
Total non-current assets		**1,645,533,971**	2,220,123,833
Current assets			
Inventories	9	**17,532,017**	14,964,810
Prepaid expenses and other current assets	12	**231,717,538**	395,439,414
Trade receivables	10	**627,619,797**	419,295,822
Cash and cash equivalents	13	**115,354,538**	189,909,527
Total current assets		**992,223,890**	1,019,609,573
Assets from discontinued operations	24	**4,484,817**	-
TOTAL ASSETS		**2,642,242,678**	3,239,733,406
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**500,000,000**	500,000,000
Statutory reserve	14	**73,035,771**	45,565,791
Retained earnings		**247,336,074**	185,712,800
Foreign currency translation reserve		**(500,985)**	-
Total equity attributable to equity holders of the parent company		**819,870,860**	731,278,591
Non-controlling interests		**1,089,278**	-
Total equity		**820,960,138**	731,278,591
Liabilities			
Non-current liabilities			
Employees' defined benefits obligations	15	**13,223,916**	14,627,805
Lease liabilities	8	**1,020,414,870**	1,587,149,552
Total non-current liabilities		**1,033,638,786**	1,601,777,357
Current liabilities			
Lease liabilities - current portion	8	**196,153,896**	314,105,526
Short-term loans	16	**348,915,747**	447,866,523
Trade payables		**8,237,538**	4,630,203
Due to a related party	11	**2,692,455**	-
Accrued expenses and other current liabilities	17	**218,466,951**	128,778,317
Zakat provision	18	**11,286,669**	11,296,889
Total current liabilities		**785,753,256**	906,677,458
Liabilities from discontinued operations	24	**1,890,498**	-
Total liabilities		**1,821,282,540**	2,508,454,815
TOTAL EQUITY AND LIABILITIES		**2,642,242,678**	3,239,733,406

Finance Manager	**Chief Executive Officer**	**Chairman of Board of Directors**
Mohamad Al Bazz	Mohamad Al Khereiji	Abdul Ellah Al Khereiji

The accompanying notes form an integral part of these consolidated financial statements

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYAL)

	Notes	2022	2021
Continuing Operations			
Revenues	6 , 19	1,126,182,377	720,632,537
Cost of revenues	19	(639,192,896)	(390,348,156)
Gross profit		486,989,481	330,284,381
Selling and marketing expenses	20	(46,324,421)	(31,163,680)
General and administrative expenses	21	(49,402,467)	(40,476,869)
(Impairment) / reversal of expected credit losses	10	(7,302,242)	2,685,702
Operating profit		383,960,351	261,329,534
Finance costs	22	(55,204,826)	(32,522,026)
Losses from disposal of right-of-use assets	8	(24,357,154)	-
Other expenses, net	23	(8,536,171)	(11,262,660)
Profit before zakat from continuing operations		295,862,200	217,544,848
Zakat	18	(11,379,987)	(11,296,889)
Profit for the year from continuing operations		284,482,213	206,247,959
Discontinued operations			
Loss from discontinued operations	24	(9,089,313)	-
Profit for the year		275,392,900	206,247,959
Profit for the year attributable to:			
Equity holders of the parent company		274,699,804	206,247,959
Non-controlling interests		693,096	-
		275,392,900	206,247,959
Basic and diluted earnings per share:			
Earnings per share attributable to equity holders of the parent company	27	5.49	4.12
Other comprehensive income:			
Items that are reclassified subsequently to profit or loss:			
Foreign currency translation differences		(500,985)	-
Total items that are reclassified subsequently to profit or loss		(500,985)	-
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of employees' defined benefits obligations	15	2,393,450	(1,386,347)
Total items that will not be reclassified subsequently to profit or loss		2,393,450	(1,386,347)
Total other comprehensive income / (loss) for the year		1,892,465	(1,386,347)
Total comprehensive income for the year		277,285,365	204,861,612
Total comprehensive income for the year attributable to:			
Equity holders of the parent company		276,592,269	204,861,612
Non-controlling interests		693,096	-
		277,285,365	204,861,612

Finance Manager	**Chief Executive Officer**	**Chairman of Board of Directors**
Mohamad Al Bazz	Mohamad Al Khereiji	Abdul Ellah Al Khereiji

The accompanying notes form an integral part of these consolidated financial statements

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOILDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYAL)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Balance as at January 1, 2021	500,000,000	25,079,630	1,337,349	-	526,416,979	-	526,416,979
Profit for the year	-	-	206,247,959	-	206,247,959	-	206,247,959
Other comprehensive loss for the year	-	-	(1,386,347)	-	(1,386,347)	-	(1,386,347)
Total comprehensive income for the year	-	-	204,861,612	-	204,861,612	-	204,861,612
Transferred to statutory reserve	-	20,486,161	(20,486,161)	-	-	-	-
Balance as at December 31, 2021	500,000,000	45,565,791	185,712,800	-	731,278,591	-	731,278,591
Balance as at January 1, 2022	**500,000,000**	**45,565,791**	**185,712,800**	-	**731,278,591**	-	**731,278,591**
Profit for the year	-	-	**274,699,804**	-	**274,699,804**	**693,096**	**275,392,900**
Other comprehensive income for the year	-	-	**2,393,450**	(500,985)	**1,892,465**	-	**1,892,465**
Total comprehensive income for the year	-	-	**277,093,254**	(500,985)	**276,592,269**	**693,096**	**277,285,365**
Dividends (Note 25)	-	-	**(188,000,000)**	-	**(188,000,000)**	-	**(188,000,000)**
Change in non-controlling interests	-	-	-	-	-	**396,182**	**396,182**
Transferred to statutory reserve	-	**27,469,980**	**(27,469,980)**	-	-	-	-
Balance as at December 31, 2022	**500,000,000**	**73,035,771**	**247,336,074**	(500,985)	**819,870,860**	**1,089,278**	**820,960,138**

Finance Manager
Mohamad Al Bazz

Chief Executive Officer
Mohamad Al Khereiji

Chairman of Board of Directors
Abdul Ellah Al Khereiji

The accompanying notes form an integral part of these consolidated financial statements

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMNT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYAL)

	2022	2021
OPERATING ACTIVITIES:		
Profit before zakat from continuing operations	**295,862,200**	217,544,848
Loss from discontinued operations	**(9,089,313)**	-
Adjustments:		
Depreciation of property, plant and equipment	**31,511,108**	27,298,894
Depreciation of right-of-use assets	**420,924,809**	287,929,363
Impairment / (reversal) of expected credit losses	**7,302,242**	(2,685,702)
Provision for slow-moving inventories	**112,500**	-
Loss on disposal of property, plant and equipment	**8,688,285**	11,978,684
Current service cost of employees' defined benefits obligations	**1,737,561**	2,240,060
Finance costs related to employees' defined benefits obligations	**547,333**	354,179
Finance costs related to short-term loans	**13,200,658**	9,613,140
Finance costs related to lease liabilities	**41,456,835**	22,554,707
Loss on disposal of right-of-use assets	**24,357,154**	-
Changes in working capital:		
Trade receivables	**(215,626,217)**	(81,091,610)
Inventories	**(2,679,707)**	661,928
Due from / to related parties	**2,692,455**	18,565,709
Prepaid expenses and other current assets	**(54,676,836)**	(326,327,812)
Trade payables	**3,607,335**	(2,608,135)
Accrued expenses and other current liabilities	**(54,054,490)**	30,565,088
Change in net assets of discontinued operations	**(2,594,319)**	-
Cash generated from operations	**513,279,593**	216,593,341
Employees' defined benefits obligations paid	**(1,293,587)**	(1,861,892)
Zakat paid	**(11,390,207)**	(6,862,683)
Net cash flows from operating activities	**500,595,799**	207,868,766
INVESTING ACTIVITIES:		
Additions to property, plant and equipment	**(49,138,008)**	(77,948,203)
Proceeds from sale of property, plant and equipment	**194,278**	174,272
Net cash flows used in investing activities	**(48,943,730)**	(77,773,931)
FINANCING ACTIVITIES:		
Proceeds from short-term loans	**348,915,747**	499,147,944
Repayment of short-term loans	**(447,866,523)**	(183,076,536)
Lease liabilities paid	**(260,545,470)**	(273,228,879)
Finance costs paid	**(8,563,703)**	(9,613,140)
Net change in non-controlling interests	**396,182**	-
Dividends paid	**(158,000,000)**	-
Net cash flows (used in) from financing activities	**(525,663,767)**	33,229,389
Net change in cash and cash equivalents during the year	**(74,011,698)**	163,324,224
Foreign currency translation adjustment	**(543,291)**	-
Cash and cash equivalents at the beginning of the year	**189,909,527**	26,585,303
Cash and cash equivalents at the end of the year	**115,354,538**	189,909,527
Non-cash transactions:		
Additions to right-of-use assets / lease liabilities	**1,045,787,001**	1,713,051,390
Amortization of lease liabilities into accrued expenses	**(109,106,169)**	39,526,497
Absorption of prepaid expenses into lease liabilities	**221,005,895**	33,918,830
Accrued dividends	**30,000,000**	-
Disposals from property, plant and equipment transferred to additions	**10,070,680**	-
Accrued finance costs	**4,636,955**	-
Net total transferred to discontinued operations	**2,607,183**	-
Transfer of employees' defined benefits obligations to related parties	-	(170,901)
Transfer of property, plant and equipment to a related party	-	(819,050)

Finance Manager	**Chief Executive Officer**	**Chairman of Board of Directors**
Mohamad Al Bazz	Mohamad Al Khereiji	Abdul Ellah Al Khereiji

The accompanying notes form an integral part of these consolidated financial statements

1- CORPORATE INFORMATION OF THE GROUP

Arabian Contracting Services Company is a Saudi Joint Stock Company - (the "Company") registered in Riyadh on Jumada Al-Ula 18, 1403 H (corresponding to March 3, 1983) under commercial registration number 1010048419.

The head office of the Company is located in Riyadh - Kingdom of Saudi Arabia, P.O. Box: 55905, Postal Code: 11544.

The activities of the Company are general construction of residential buildings, construction of roads, streets, sidewalks and road supplies, construction of bridges and tunnels, construction of railways, pouring bases and foundations, laying electrical wires, laying communication wires, advertising and publicity, printing of advertising material, commercial printing, and binding.

The Company's share capital amounts to SR 500 million divided into 50 million shares, the value of each share is SR 10.

These accompanying consolidated financial statements include the results of the business, assets, liabilities, and activities of the Company and its following branches. The details of these branches are as follows:

Branch name	Location	Activity of the branch	Commercial registration number
Raweyah Printing Press Arabian Company Factory	Riyadh	Printing and printing of advertisements, posters and media flyers, gravure and photo engraving on metal or plastic boards	1010057812
Arabian Contracting Services Company	Riyadh	Publicity and advertisement entities and agencies	1010062303
Ain Al Arabia Company for Advertising and Publicity	Riyadh	Publicity and advertisement entities and agencies, organization and management of exhibitions and conferences, wholesale of gifts and luxuries	1010500526
Arabian Contracting Services	Jeddah	Publicity and advertisement entities and agencies	4030058296
Raweyah Printing Press Arabian Company Factory	Jeddah	Printing, printing of books, printing of advertisements, posters, and media flyers, printing of commercial stationery correspondence papers and invoices, printing using copiers, engraving and photo engraving on metal or plastic panels and bookbinding	4030275525

2- BASIS OF PREPARATION

2-1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs endorsed in KSA").

2-2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis unless the IFRS require the use of another basis of measurement as stated in the accounting policies applied in note number (4). In addition, these consolidated financial statements are prepared using accrual basis of accounting and going concern concept.

2-3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR), which is the Group's functional and presentation currency. All amounts are rounded off to nearest Saudi Riyal unless otherwise indicated.

2- BASIS OF PREPARATION (continued)

2-4 Basis of consolidation

The following steps are followed when preparing the consolidated financial statements:

- The carrying amounts of the parent Company's investment in each subsidiary is eliminated, with the parent's share of the equity in each subsidiary.
- Non-controlling interests in the comprehensive income of the consolidated subsidiaries are determined during the period for which the consolidated financial statements are prepared.
- Non-controlling interests are determined in the net assets of the consolidated subsidiaries and are presented in the consolidated financial statements independently of the equity holders of the parent Company. Non-controlling interests in the net assets consist of:

(1) The amount of non-controlling interests in the original date of consolidation.
(2) Share of non-controlling interests in the change in equity from the date of consolidation.

- The transactions, revenues and expenses balances exchanged between the Group's companies are completely eliminated.

The financial statements of the parent Company as well as the financial statements of the subsidiaries that are used in preparing the consolidated financial statements are prepared on the same date.

The consolidated financial statements are prepared using uniform accounting policies for similar transactions and events that take place in the same circumstances.

Non-controlling interests are presented in the consolidated statement of financial position within equity, in a separate item from the equity holders of the parent Company's, and the share of non-controlling interests in the profit or loss of the Group is presented separately.

The consolidated financial statements include the accounts of the Company and its subsidiaries (the "Group") in which it owns more than 50% of equity or has control over those subsidiaries. For the purposes of preparing these consolidated financial statements, all significant related balances and transactions between the Company and these subsidiaries are eliminated and settled.

The accompanying consolidated financial statements as at December 31, 2022 include the accounts of the Company and its subsidiaries (collectively referred to as the "Group"). The details of these subsidiaries are as follows:

Subsidiary name	Country of incorporation	Activity of the subsidiary	Ownership % 2022	Ownership % 2021
Al-Arabia Out of Home Advertising FZ - LLC (A)	UAE	Media and marketing services, outdoor advertising activities	**100**	100
Al-Taer Al-Arabi Trading Company (under liquidation) (B)	KSA	Storage, wholesaling on a fee or contract basis, wholesale of other household goods, retailing by mail order fulfillment houses or via the internet	**100**	100
Arabian United Company for Advertising Services (C)	Egypt	Publicity and advertising by all audio, print and visual means, supplying, installing and operating digital screens, project management	**49.9**	-

(A) Al-Arabia Out of Home Advertising FZ – LLC – is a Limited Liability Company registered in the United Arab Emirates and it is a 100% owned subsidiary of the Company with a share capital of AED 100,000.

(B) Al-Taer Al-Arabi Trading Company (under liquidation) is a One Person Limited Liability Company registered in the Kingdom of Saudi Arabia and it is a 100% owned subsidiary of the Company with a share capital of SR 50,000 (Refer to Note 24).

(C) Arabian United Company for Advertising Services is a Joint Stock Company registered in the Arab Republic of Egypt and it is a 49.9% owned subsidiary of the Company with a share capital of Egyptian Pounds 30,000,000. The subsidiary was consolidated by 49.9% due to the presence of control over the majority of the voting rights.

3- ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying amounts of assets and liabilities that are difficult to obtain directly from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the changed estimates affect both current and future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:
- Sensitivity analysis disclosures (Note 15)
- Financial instruments risk management (Note 28)

3-1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which may have significant effect on the amounts recognised in the consolidated financial statements:

Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgements are required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to original asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

Leases - extension and termination options – Group as lessee

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within control.

Going concern

The Group's management has assessed its ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on the going concern basis.

3-2 Estimates and assumptions

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

3- ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3-2 Estimates and assumptions (continued)

The following are details of estimates and assumptions:

Calculation of expected credit losses on trade receivables
When measuring the expected credit losses, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future changes of different economic factors and how these factors will affect each other.

Expected credit losses are an estimate of the loss due to default. It is based on the difference between the contractual cash flows due and those that the debtor would expect to receive, taking into consideration the cash flows from guarantees and credit enhancements that form an integral part of the amounts due.

Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default during a certain period of time, in which its calculation is based on historical data, assumptions and expectations of future conditions.

Useful lives of property, plant and equipment and right-of-use assets
The Group determines the estimated useful lives of its property, plant and equipment and right-of-use assets for the purpose of calculating depreciation. These estimates are determined after considering the expected usage of the asset or physical wear and tear from usage. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment
The Group's management assesses the impairment of property, plant and equipment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors that are considered significant and which lead to revaluation of impairment, among others, include the following:

- Significant changes in technology and the regulatory environment.
- Evidence from internal reports indicates that the economic performance of the asset is expected to be, or will be, bad.

Right-of-use assets / Lease liabilities
The Group's management determines the discount rate based on the incremental borrowing rate, and at the end of each financial period, the Group reviews whether there is an impairment in the right-of-use or not, or if there are events or changes in circumstances indicating that the carrying amounts may not be recoverable.

Contingent liabilities
As stated in Note (26) of these consolidated financial statements, the Group is exposed to various contingent liabilities during the normal business cycle. Management regularly reviews the status of these exposures to assess the likelihood that the Group will incur the related liabilities. However, provisions are not made in the consolidated financial statements, based on management's assessment, except when a present obligation has occurred.

Discount rate used to determine the carrying amount of the employees' defined benefits obligation
The determination of the employees' defined benefits obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's consolidated financial statements within the next financial year. Further information on the carrying amounts of the employees' defined benefits obligation and the sensitivity of those amounts to changes in discount rate are provided in Note (15).

3- ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3-2 Estimates and assumptions (continued)

Uncertain zakat position
The Group's current zakat payable relates to management's assessment of the amount of zakat payable on open zakat positions where the final liabilities remain to be agreed with Zakat, Tax, and Customs Authority.

Due to the uncertainty associated with such zakat items, it is possible that, on finalization of zakat assessments by Zakat, Tax, and Customs Authority at a future date, the final outcome may differ significantly. The status of zakat assessments has been disclosed in Note (18).

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the Group in preparing these consolidated financial statements:

Current / non-current assets and liabilities classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is classified as current assets when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the date of the consolidated statement of financial position; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months from the date of the consolidated statement of financial position.
- All other assets are classified as non-current assets.

A liability is classified as current liabilities when it is:
- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the date of the consolidated statement of financial position; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the date of the consolidated statement of financial position.
- All other liabilities are classified as a non-current liabilities.

Fair value measurement
The Group measures financial instruments at fair value at the date of each consolidated statement of financial position.
Fair value is the price that would be received to sell assets or paid to transfer liabilities in an orderly transaction between market participants at the measurement date.

- The fair value measurement is based on the presumption that the transaction to sell assets or transfer liabilities takes place either:

- In the principal market for these assets or liabilities; or
- In the absence of a principal market, in the most advantageous market for the assets or liabilities.

The principal or the most advantageous market must be accessible by the Group.

The fair value of assets or a liabilities is measured using the assumptions that market participants would use when pricing the assets or liabilities, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial assets takes into considerations a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year.

Foreign currencies

Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date that the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate prevailing at the date of preparing the consolidated financial statements. All differences arising from settlement or transactions on monetary items are recorded in consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated primarily at the exchange rate prevailing at the date of the transactions. Non-monetary items in a foreign currency that are measured at fair value are translated at the currency rate prevailing at the date when their fair value was determined. Gains or losses arising from the translation of non-monetary items measured at fair value are treated in line with the recognition of gains and losses arising from a change in the fair value of that item. (i.e. translation differences for items whose fair value gains and losses are recognized in the consolidated statement of comprehensive income is recognized in other comprehensive income, and items whose fair value gains and losses are recognized in profit and losses are recognized in profit and losses).

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. Projects under construction and lands are not depreciated. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria is met. When significant parts of property, plant and equipment are replaced at certain intervals, the Group recognizes those parts as individual assets with a definite useful life and depreciation. All other repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Depreciation in years
Buildings	20
Fixed and motion advertising billboards	7
Motor vehicles	3-4
Furniture and fixtures	5-10
Machinery, devices and equipment	3-10

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statement of comprehensive income when the asset is derecognized.

The residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year and adjustments are made on a prospective basis, if required.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Projects under progress
Assets that are still in the construction or development stage are capitalized in the projects under progress account. An asset under construction or development is transferred to the appropriate category of property, plant and equipment when the asset is in the location and / or condition necessary to make it capable of operating as intended by management. The cost of projects under progress item consists of the purchase price, construction / development costs and any costs directly attributable to the construction of the asset or its acquisition by management.

The costs associated with the trial run of the asset (before it is ready for use) are capitalized net of proceeds from the sale of any production during the trial run period. Finance costs related to qualifying assets are capitalized as part of the cost of the qualifying assets until the start of commercial production. Projects under progress are measured at cost less any impairment recognized. Projects under progress are not depreciated. Depreciation begins when the assets are capable of economically operating as intended by management after they have been transferred to the appropriate class of assets.

Leases
The determination of whether an agreement represents or contains a lease depends on the substance of the agreement at the date of its inception. The agreement represents or includes a lease if its fulfillment is based on the use of a particular asset or assets, or the agreement grants the right to use a particular asset or assets even if that right is not expressly mentioned in the contract.

Right-of-use assets and lease liabilities
The Group has recognized new assets and liabilities for its operating leases of various types of contracts including advertising billboards sites, warehouses, and warehouse facilities, housing, office rentals, and others. Each lease payment is allocated between the liabilities and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease term so as to accomplish a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are measured at cost which comprise of the following:
- The amount of initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs, or renewal costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

Lease liabilities include (the net present value of the fixed lease payments) including in-substance fixed payments less any lease incentives receivable, variable lease payments that are based on an index or a rate, and amounts expected to be payable by the lessee under residual value guarantees. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, the lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs of business disruption required to replace the leased asset.

Inventories
Inventories are stated at the lower of cost or net realizable value. Paper, printing materials and other consumable spare parts of inventories are valued on a weighted average cost basis. A provision is made for slow-moving and obsolete inventories.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade receivables
Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After the initial measurement, in accordance with IFRS 9 Financial Instruments, these financial assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is calculated by taking into consideration any discount or premium on acquisition, fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortization is included in the consolidated statement of comprehensive income. The losses arising from impairment are included in the consolidated statement of comprehensive income.

Transactions with related parties
Related parties represent all affiliates, major shareholders, directors and senior management of the Group and include those companies controlled, jointly controlled or influenced by those related parties.

Prepaid expenses and other current assets
Prepaid expenses and other current assets are recognized in the value of amounts paid to service suppliers for services that will be received in the future, or in the value of amounts that have been paid to third parties and will be recovered in the future.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, which are not exposed to risks of significant changes in value.

Financial assets

Initial recognition and measurement
Financial assets are classified on initial recognition as being subsequently measured at amortized cost, or at fair value through other comprehensive income, or at fair value through profit or loss. All financial assets are recognized on initial recognition at fair value plus transaction costs, unless the financial assets are recorded at fair value through profit or loss.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification, as described below:

Financial assets at amortized cost
After initial measurement, those financial assets are measured at amortized value using the effective interest rate method and are subject to impairment. Gains or losses are recognized in the consolidated statement of comprehensive income when the asset is disposed of, or modifications are made, or impaired.

Financial assets at amortized cost in the Group consist of cash and cash equivalents and trade receivables.

Derecognition of financial assets
Financial assets are derecognised only when:

- Contractual rights in the cash flows of a financial asset expire; or
- The Group has transferred its rights to receive cash flows from the asset or has committed to pay the cash flows in full without delay to a third party through a "transfer" agreement, and whether (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained a substantially all the risks and rewards of the asset, but it has transferred its right to control it.
- If the Group has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it assesses to what extent it retains the risks and rewards associated with the asset. An asset is recognized to the extent that the Group's relationship with it continues if it has neither transferred nor retained all the risks and rewards associated with the asset nor transferred its right to control it. In that case, the Group also recognizes the liabilities associated to that assets. The transferred asset and associated liabilities are measured on a basis that reflects the rights and obligations that the Group has retained.
- Continuing relationship that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount that the Group can be required to pay.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets
The Group recognizes an allowance for expected credit losses for all debt instruments not carried at fair value through profit or loss.

The allowance for expected credit losses is recognized in two stages. For a credit exposure that has not experienced a significant increase in credit risk since initial recognition, expected credit losses are recognized for the credit risk arising from a potential default within 12 months (12-month expected credit losses). For a credit exposure that has experienced a significant increase in credit risk since the initial recognition, an allowance for expected credit losses must be recognized over the remaining life of the exposure, regardless of the timing of default (lifetime expected credit losses).

For trade receivables, the Group applies a simplified approach to the calculation of expected credit losses. Therefore, the Group has used a provision matrix that is based on its historical experience of credit losses, which has been adjusted for future factors specific to the debtors and the economic environment.

Impairment of non-financial assets
The Group assesses at the date of preparing the consolidated financial statements whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the fair value of the asset or cash-generating unit (CGU) less cost to sell or the value in use of the asset, whichever is higher.

It is specified for a single asset unless the asset generates cash flows that are not significant independent of the flows generated by assets or other groups of assets and when the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the value of the asset must be decreased to its recoverable amount.

In determining value in use, the future cash flows are deducted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks related to the asset. In determining fair value less costs to sell, new market transactions are considered, when available, or an appropriate valuation model is used. These values are verified by comparing them with the valuation multiples and the prices of the listed shares of the subsidiaries offered for public trading or through any other fair value indicators.

In calculating impairment, the Group relies on detailed budgets and discretionary accounts that are prepared separately for each cash-generating unit (CGU) of the Group to which the individual assets are allocated. These detailed budgets and discretionary accounts usually cover five years. To cover longer periods, a long-term growth rate is calculated and applied to the project's future cash flows after the fifth year.

Impairment losses from continuing operations are recognized in the consolidated statement of comprehensive income within the expenses appropriate to the function of the assets that have impaired.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses for non-financial assets, other than goodwill, no longer exist or have decreased. The reversal of the impairment loss is recognized in the consolidated statement of comprehensive income.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified on initial recognition, as financial liabilities at fair value through profit or loss, or loans and trade payables, or as financial derivatives that are used as hedging instruments for covering risks.

All financial liabilities are initially recognized at fair value and in the case of loans, advances and trade payables, net of directly attributable transaction costs.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and advances
After initial recognition, loans and advances are measured at amortized cost using the effective interest rate method. The gains or losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognised, as well as through the process of amortizing the effective interest rate.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities
Financial liabilities are derecognised when the obligation is paid, canceled or the obligation under the contract expires.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

Employees defined benefits obligations
The employees' defined benefit cost is determined by defined benefit programs separately for each program using the projected unit credit method.

The remeasurement, which consists of actuarial gains and losses, is recognized immediately in the consolidated statement of financial position and within the retained earnings through other comprehensive income in the period in which they occur. The remeasurement is not reclassified to the consolidated statement of comprehensive income in subsequent periods

End of service payments are mainly based on the employees' final salaries, allowances and accumulated years of service, as defined by the labor law in the Kingdom of Saudi Arabia.

Trade payables
These amounts represent liabilities related to goods and services provided to the Group before the end of the financial year that have not been paid, and are considered unsecured. Trade payables and payment notes are presented as current liabilities unless payment is not due within 12 months after the date of consolidated statement of financial position, and are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest rate method.

Accrued expenses and other current liabilities
Accrued expenses and other current liabilities are obligations to pay for goods or services that have been received or provided, whether or not invoices have been submitted or formally agreed with the supplier .

Loans
Upon the initial recognition, loans are measured at fair value net of costs of the transactions directly associated with the loans, and are classified as current liabilities, except the Group has a right to delay the liability not less than 12 months after the date of the consolidated statements of financial position. These liabilities are subsequently measured at amortized cost using the effective interest rate.

Borrowing costs
Borrowing costs associated directly with the acquisition or establishing or producing an asset that necessarily takes a substantial period to get ready for its intended use or sale are recognized as part of the cost of the respective asset. All other costs are recorded as expenses in the period in which they are due. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Value added tax
Revenues, expenses and assets are recognized net of the amount of value added tax, except for the following:

- Where 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 recognized as part of the cost of acquisition of assets or as part of the expenses item, as applicable.
- Trade receivables and trade payables are stated including the amount of value added tax.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other current assets or other current liabilities in the consolidated statement of financial position.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past events, 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. Where the Group expects some or all of provisions to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to the provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows using a current pre-tax rate that reflects, when appropriate, current market assessments of the time value of money and the risks specific to the liability. The increase in the discount is recognized as a finance cost.

Zakat provision

The legal zakat provision is calculated in accordance with the regulations of the Zakat, Tax, and Customs Authority (ZATCA) at the end of each financial year.

The zakat provision is recorded at the end of the financial year within the items of consolidated statement of comprehensive income, and the differences resulting from the final assessment are recognized within the same item in the year in which the zakat assessment is approved.

Revenue recognition

The Group recognizes revenue in accordance with contract terms and accrual basis when providing services to customers. The Group's revenues mainly consist of renting road advertising billboards, media advertisements and fixed art billboards.

Revenue from contracts with customers is recognized upon fulfilling the performance obligations for the services provided to the customer for the value that reflects the consideration that the Group expects to receive in exchange for this performance.

The Group applies revenue from contracts entered into with customers based on a five-step model as described in IFRS 15:

Step 1: Defining the contract with the customer: The contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and specifies the criteria that must be fulfilled.

Step 2: Defining performance obligations in the contract: A performance obligations is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determination of the transaction price: The transaction price is the amount of consideration that the Group expects to receive in exchange for transferring the agreed goods or services to the customer, except for the amounts collected on behalf of third parties.

Step 4: Assigning the transaction price to the performance obligations in the contract: For a contract that contains more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expect to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when the Group satisfies the performance obligation.

Revenues from road advertising and services rendered is recorded as revenue at a point in time at which the service is provided. Performance obligations are satisfied and revenue from advertising billboard rental and services are recognized over a time for displaying advertising materials to customers on advertising billboards over the duration of the agreed contracts on a "ready-to-ready" basis. Performance obligations are ready obligations and are usually agreed upon that the nature of the promise in a ready obligation is that the customer will receive a good or service.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discount given to customers
The Group provides a discount for some customers when the value of contracts executed during the period exceeds a certain amount in the contract. Such discounts are netted off the amounts receivable from the customer. The Group applies the requirements for the recognition of variable consideration estimates and recognizes a refund liability for expected future discounts.

Other income
Other income is recognized when earned.

Discontinued operations
A disposal group is considered to qualify as a discontinued operation if it is a component of the disposal entity as follows:

- Represents a separate major business activity or geographic area of operations.
- It is part of a single coordinated plan to sell the independent principal business or geographic area of operations.
- An acquired subsidiary for the sole purpose of being sold.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount representing after-tax profit or loss from discontinued operations in the consolidated statement of comprehensive income.

Cost of revenues and expenses
Costs that are directly attributable to the goods or services provided are classified as cost of revenues. Selling and marketing expenses principally comprise of costs incurred in the selling and marketing of the Group's products and services. Other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect expenses that are not directly related to cost of revenues in accordance with generally accepted accounting standards. Expenses are allocated, if necessary, between general and administrative expenses and cost of revenues on a consistent basis.

Dividends
Dividends are recorded as a liability when approved at the annual General Assembly meeting of the Group.

Statutory reserve
In accordance with Company's articles of association and Company's By-laws and regulations for companies, the Board of Directors of the Group, at the end of each financial year, sets aside 10% of the net profit to form a statutory reserve. The Ordinary General Assembly may decide to stop this reserve when the aforementioned reserve reaches 30% of the paid-up capital. This reserve is not available for distribution.

Contingent liabilities
Contingent liabilities are disclosed when the Group has a contingent liability as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Subsequent events
Consolidated financial statements are affected by subsequent events that require an adjustment to the consolidated financial statements while subsequent events that do not require an adjustment to the consolidated financial statements are disclosed.

5- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

5-1 New standards, amendments to standards and interpretations

The Group has adopted the following new standards and amendments for the first time that are effective from 1 January 2022:

5-1-1 Amendments to IFRS 3, IFRS 9, IAS 16 and IAS 37

IFRS 3 "Business Combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

IFRS 9 "Financial Instruments – '10%' test fee" for derecognition of financial liabilities in which the amendment to IFRS 9 "Financial Instruments" clarifies the fees that the Group includes when assessing whether the terms of a new or modified financial liability is materially different from the terms of the original financial liability. These fees include only fees paid or received between the borrower and the lender including fees paid or received by the borrower or lender on behalf of the other. The entity applies the amendment to financial liabilities that are modified or exchanged at or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 16 "Property, Plant and Equipment" prohibits the Group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, the Group will recognise such sales proceeds and related cost in the consolidated statement of comprehensive income.

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" specify which costs a Group includes when assessing whether a contract will be loss-making.

The adoption of above amendments does not have any material impact on the consolidated financial statements during the year.

5-2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

5-2-1 Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities

These narrow-scope amendments to IAS 1 "Presentation of financial statements" clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

5-2-2 Amendments to IAS 1, Practice statement 2 and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The amendments aim to improve accounting policy disclosures and to help users of the consolidated financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

5-2-3 Amendment to IAS 12 "Income Taxes" – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

6- OPERATING SEGMENTS

The segment is a separate and distinct segment of the Group engaged in business activities that result in the recognition of revenues or expenses incurred. Operating segments are disclosed on the basis of internal reports reviewed by the chief operating decision-maker, who is responsible for resource allocation, performance evaluation, and strategic decision-making on operating segments. Operating segments with similar economic characteristics, products, services and similar customer categories are aggregated and recorded where possible as sectors to be reported.

Basis of division
The Group has the following strategic segments which are considered strategic segments to the Group. These segments provide different services and are managed separately because they have different economic characteristics - such as sales growth trends, rates of return, and capital investment level - and also have different marketing strategies.

The following is a summary of the operations of each segment:

Segment reports	Operations / Activity
Advertising segment	Indoor and outdoor advertisements
Printing segment	All type of printing work
Electronic sales segment	Retail sales by mail

Information on segment reporting
The information for each segment report is listed below. The gross profit of the segment is used to measure the performance because management considers that this information is most appropriate to assess the results of the relevant segments relating to other entities operating in the same industry:

For the year ended December 31, 2022	Advertising segment SR	Printing segment SR	Electronic sales segment SR	Total segments SR	Reconciliation and elimination SR	Consolidated SR
Revenues						
Customers	1,106,212,094	19,970,283	176,424	1,126,358,801	(176,424)	1,126,182,377
Transactions between segments	-	12,887,797	-	12,887,797	(12,887,797)	-
Total revenues	1,106,212,094	32,858,080	176,424	1,139,246,598	(13,064,221)	1,126,182,377
Depreciation and amortization	449,086,628	3,349,289	1,543,317	453,979,234	(1,543,317)	452,435,917
Profit of the year	283,522,825	4,017,497	(3,058,109)	284,482,213	(9,089,313)	275,392,900

6- OPERATING SEGMENTS (continued)

Information on segment reporting (continued)

For the year ended December 31, 2021	Advertising segment SR	Printing segment SR	Electronic sales segment SR	Total segments SR	Reconciliation and elimination SR	Consolidated SR
Revenues						
Customers	706,944,184	13,688,353	-	720,632,537	-	720,632,537
Transactions between segments	-	11,532,812	-	11,532,812	(11,532,812)	-
Total revenues	706,944,184	25,221,165	-	732,165,349	(11,532,812)	720,632,537
Depreciation and amortization	311,602,393	3,625,864	-	315,228,257	-	315,228,257
Profit of the year	201,453,960	4,793,999	-	206,247,959	-	206,247,959

Disclosure of information related to the net carrying amounts of property, plant and equipment, right-of-use assets, total assets, and total liabilities in these segments is impractical, as no segment has achieved the limits mentioned in IFRS 8 "Operating Segments" to disclose its geographical information, except for the advertising segment, which represents the largest portion of this information.

The activities of the Company and its subsidiaries are mainly concentrated in the Kingdom of Saudi Arabia and the Arab Republic of Egypt. Below is a summary of some financial information for each geographic region separately:

Geographic information	(Saudi Riyal) 2022	2021
Revenues from customers		
Kingdom of Saudi Arabia	**1,099,434,829**	720,632,537
Egypt	**26,747,548**	-
Total (Note 19)	**1,126,182,377**	720,632,537

Revenues between segments and between business units are eliminated upon consolidation, and shown in the "reconciliation and elimination" column.

The Group's management monitors the operating results of its business units separately for the purpose of decision-making about resource allocation and performance assessment.

Segment performance is measured and evaluated on the basis of consolidated statement of comprehensive income.

7- PROPERTY, PLANT AND EQUIPMENT

(Saudi Riyal)

	Land	Buildings (*)	Fixed and motion advertising billboards	Motor vehicles	Furniture and fixtures	Machinery, devices and equipment	Projects under progress (**)	Total
Cost:								
As at January 1, 2021	1,358,770	17,113,949	174,072,209	9,411,871	4,517,265	37,483,069	30,737,055	274,694,188
Additions	-	-	-	527,500	737,239	907,654	76,594,860	78,767,253
Disposals	-	(237,844)	(44,014,480)	(1,447,954)	(127,001)	(1,264,368)	-	(47,091,647)
Transferred to a related party	-	-	-	-	-	-	(819,050)	(819,050)
Transferred from projects under progress	-	-	61,762,803	-	-	-	(61,762,803)	-
As at December 31, 2021	1,358,770	16,876,105	191,820,532	8,491,417	5,127,503	37,126,355	44,750,062	305,550,744
Additions	-	-	**4,850,576**	**2,778,724**	**1,109,852**	**1,036,605**	**49,432,931**	**59,208,688**
Disposals	-	-	**(29,719,464)**	**(1,014,748)**	**(17,640)**	**(7,942,638)**	-	**(38,694,490)**
Transferred from projects under progress	-	-	**57,438,711**	-	-	-	**(57,438,711)**	-
Foreign currencies translation adjustment	-	**225**	-	**355**	**165**	-	-	**745**
Transferred to discontinued operations	-	-	-	**(221,500)**	**(341,507)**	-	**(2,125,754)**	**(2,688,761)**
As at December 31, 2022	**1,358,770**	**16,876,330**	**224,390,355**	**10,034,248**	**5,878,373**	**30,220,322**	**34,618,528**	**323,376,926**
Accumulated depreciation:								
As at January 1, 2021	-	9,154,280	76,531,785	7,942,467	2,876,253	23,276,503	-	119,781,288
Charge for the year	-	716,319	22,495,130	717,729	473,086	2,896,630	-	27,298,894
Disposals	-	(237,844)	(32,024,974)	(1,442,117)	(127,000)	(1,106,756)	-	(34,938,691)
As at December 31, 2021	-	9,632,755	67,001,941	7,218,079	3,222,339	25,066,377	-	112,141,491
Charge for the year	-	**656,858**	**26,944,882**	**870,283**	**495,175**	**2,543,910**	-	**31,511,108**
Disposals	-	-	**(10,857,439)**	**(1,011,494)**	**(17,289)**	**(7,855,025)**	-	**(19,741,247)**
Foreign currencies translation adjustment	-	**225**	**(40,593)**	**320**	**(2,158)**	**(439)**	-	**(42,645)**
Transferred to discontinued operations	-	-	-	**(34,222)**	**(44,526)**	-	-	**(78,748)**
As at December 31, 2022	-	**10,289,838**	**83,048,791**	**7,042,966**	**3,653,541**	**19,754,823**	-	**123,789,959**
Net Book Value:								
December 31, 2022	**1,358,770**	**6,586,492**	**141,341,564**	**2,991,282**	**2,224,832**	**10,465,499**	**34,618,528**	**199,586,967**
December 31, 2021	1,358,770	7,243,350	124,818,591	1,273,338	1,905,164	12,059,978	44,750,062	193,409,253

7- PROPERTY, PLANT AND EQUIPMENT (continued)

(*) The buildings are constructed on lands owned by the Group, as these buildings belong to the Group's labor housing.

(**) Projects under progress are billboards that are being manufactured and the expected additional value until its completion as at December 31, 2022: SR 8,322,120 (December 31, 2021: SR 8,993,191) (Note 26).

The following is a list of the distribution of depreciation expense during the year ended December 31:

	(Saudi Riyal)	
	2022	2021
Cost of revenues (Note 19)	**30,861,472**	26,595,273
General and administrative expenses (Note 21)	**570,888**	703,621
Discontinued operations	**78,748**	-
Total	**31,511,108**	27,298,894

8- RIGHT-OF-USE ASSETS / LEASE LIABILITIES

The rights-of-use assets have been measured at an amount equal to the lease liabilities and adjusted for the amounts of prepayments and accrued lease payments related to leases recognized in the consolidated statement of financial position.
According to the events resulting from the (COVID-19) virus and the events followed, amendments were made to some contracts during 2021, which represented a reduction in the rental value due or an extension of the grace period, and the following is the effect of these amendments on both the consolidated statements of financial position and comprehensive income.

	(Saudi Riyal)	
	2022	2021
Right-of-use assets		
Balance as at the beginning of the year	**2,829,845,948**	1,409,789,717
Additions during the year	**1,045,787,001**	1,713,051,390
Adjustments (C)	**87,582,039**	(12,681,337)
Transferred to prepaid expenses (A)	**-**	(80,104,462)
Disposals (B)	**(1,641,084,027)**	(200,209,360)
Balance as at the end of the year	**2,322,130,961**	2,829,845,948
Right-of-use assets accumulated depreciation		
Balance as at the beginning of the year	**803,131,368**	715,411,365
Depreciation	**408,165,082**	312,796,955
Adjustments (C)	**12,759,727**	(24,867,592)
Disposals (B)	**(347,872,220)**	(200,209,360)
Balance as at the end of the year	**876,183,957**	803,131,368
Net book value for right-of-use assets	**1,445,947,004**	2,026,714,580
Lease liabilities		
Balance as at the beginning of the year	**1,901,255,078**	531,663,659
Additions during the year	**1,045,787,001**	1,713,051,390
Adjustments (C)	**87,582,039**	(12,681,337)
Adjustment of finance cost (Note 22)	**610,755**	2,033,038
Disposals (B)	**(1,268,854,652)**	-
Adjustment of accrued rents (D)	**(35,477,494)**	14,051,317
	1,730,902,727	2,248,118,067
(Deduct) / add:		
Absorption of prepaid expenses (E)	**(221,005,895)**	(33,918,830)
Paid during the year	**(260,545,470)**	(279,888,014)
Finance costs (Note 22)	**40,846,080**	20,521,669
Amortization of accrued expenses	**(73,628,676)**	(53,577,814)
Balance as at the end of the year	**1,216,568,766**	1,901,255,078
Current portion	**196,153,896**	314,105,526
Non-current portion	**1,020,414,870**	1,587,149,552
	1,216,568,766	1,901,255,078

8- RIGHT-OF-USE ASSETS / LEASE LIABILITIES (continued)

The depreciation expense has been distributed as follows:

	(Saudi Riyal)	
	2022	2021
Cost of revenues (Note 19)	**419,115,312**	286,053,007
General and administrative expenses (Note 21)	**1,619,161**	1,659,439
Selling and marketing expenses (Note 20)	**190,336**	216,917
Total	**420,924,809**	287,929,363

(A) The transferred contracts to prepaid expenses represent the amounts of the disposed Mobi and Jeddah Megacom contracts that are not under the Group's control, and due to the ruling issued by court to renew the period to the Group from each contract, the date of resuming the contract and handing over the sites to the Group has not been determined and based on the opinion of the legal advisor, that date will be determined by the court during the subsequent period and until that date is determined, the amount of the periods specified by the court has been transferred to prepaid expenses.

(B) On March 31, 2022, management has cancelled a contract with Jeddah Municipality, and the Municipality was informed about the termination of the contract from Arabian Contracting Services Company, which resulted in losses with an amount of SR 24.3 million. Based on the opinion of the legal advisor, the Group has no other obligations against the cancelation of the contract with Jeddah Municipality.

(C) The adjustments to the right-of-use assets and lease liabilities during the year represent the additional term period that has been exercised by the Group after the expiry of the contractual period of some of the leases by agreeing with the lessor to determine the additional term period that the Group will exercise.

(D) The Group agrees with the lessor in the lease contract to make lease payments due only upon receipt of an invoice from the lessor. Accordingly, the Group records accrued expenses for the payments due which no invoices have been received from the lessor till date.

(E) The Group agrees with the lessor to make an advance payment for a lease that has been agreed with the lessor before the commencement date of the lease, and at the commencement date of the lease, these prepaid expenses are absorbed and reduced from the lease liabilities.

9- INVENTORIES

	(Saudi Riyal)	
	2022	2021
Paper and other materials	**14,854,051**	11,857,651
Consumable spare parts	**4,351,526**	4,668,219
Total	**19,205,577**	16,525,870
(Less): provision for slow-moving inventories	**(1,673,560)**	(1,561,060)
Net	**17,532,017**	14,964,810

The movement in the provision for slow-moving inventories during the year was as follows:

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	**1,561,060**	1,561,060
Charge for the year	**112,500**	-
Balance as at the end of the year	**1,673,560**	1,561,060

10- TRADE RECEIVABLES

	(Saudi Riyal)	
	2022	2021
Trade receivables	**543,428,901**	375,264,435
Trade receivables (related parties, Note 11)	**102,090,700**	54,628,949
(Less): expected credit losses	**(17,899,804)**	(10,597,562)
Net	**627,619,797**	419,295,822

10- TRADE RECEIVABLES (continued)

The movement in the expected credit losses during the year was as follows:

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	**10,597,562**	13,283,264
Charged during the year	**7,302,242**	
Reversal of expected credit losses	**-**	(2,685,702)
Balance as at the end of the year	**17,899,804**	10,597,562

The credit period granted to clients ranges from 30 to 90 days, and no commissions are calculated on these accounts. The Group records impairment on trade receivables taking into consideration several factors including the aging of the receivables and the financial situation of customers, where available. The concentration of credit risk is limited due to the large and unrelated customer base (see Note (28) "Financial instruments risks" regarding credit risk).

11- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

During the year, the Group has entered into transactions with the related parties described below. The terms of these transactions and expenses have been approved by the Group's management and it is within the Group's normal course of business.

Name of related party	Type of relationship
Engineer Holding Group Company	Shareholder
MBC Holding Limited Group	Shareholder
House of Skill Company for Contracting and Trading	Affiliate Company
National Signage Industrial Company	Affiliate Company
Elegant Hotel Company for Tourism and Hotels	Affiliate Company
Multaqa Al Zad Company for Tourism	Affiliate Company
Saudi Media Company for Advertising and Publicity	Affiliate Company
Elegant Restaurants Company	Affiliate Company
Green Box Trading Company	Affiliate Company
MBC Media Solutions Limited	Affiliate Company
Upscale Brands Food Company	Affiliate Company
SMC Advertising FZ - LLC	Affiliate Company
Alarabi Investment Company	Affiliate Company
MBC – FZ LLC	Affiliate Company

11- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

The following are the significant transactions made with the related parties during the year:

		(Saudi Riyal)	
Related party name	**Nature of transaction**	**2022**	2021
Saudi Media Company for Advertising and Publicity	Sales	**63,438,194**	65,287,573
	Purchases	**(5,534,459)**	-
	Collections	**(26,281,635)**	(22,155,854)
	Bills payment	**1,662,900**	-
National Signage Industrial Company	Bills payment	**26,600,479**	44,528,386
	Advertising billboards cost	**(32,508,638)**	(42,565,643)
	Sales	**2,524,528**	3,356,298
	Transfer of projects	**-**	819,050
	Collections	**(1,112,420)**	(2,250,987)
	Advance payments	**10,023,701**	-
Engineer Holding Group Company	Expenses paid on behalf	**(2,697,606)**	(18,907,511)
	Transferred end of service	**-**	170,901
	Bills payment	**5,152**	-
	Dividends paid	**31,750,000**	-
	Dividends	**(61,750,000)**	-
House of Skill Company for Contracting and Trading	Sales	**170,155**	75,560
	Collections	**(8,660)**	(215,289)
	Purchases	**(551,996)**	-
	Bills payment	**132,450**	-
Elegant Restaurants Company	Collections	**(47,197)**	(85,053)
	Expenses paid on behalf	**(7,146)**	-
	Sales	**69,396**	43,385
Green Box Trading Company	Sales	**-**	32,085
Multaqa Al Zad Company for Tourism	Sales	**3,646**	18,591
	Collections	**(1,012)**	-
Elegant Hotel Company for Tourism and Hotels	Collections	**3,531**	105,186
	Sales	**53,590**	3,519
MBC Holding Limited Group	Sales	**8,749,789**	15,981,604
	Expenses paid on behalf	**(2,826,183)**	-
	Collections	**(10,695,508)**	(10,905,421)
	Dividends paid	**(9,149,400)**	-
MBC Media Solutions Limited	Purchases	**(17,774,603)**	(1,725,000)
	Sales	**28,070,434**	-
	Bills payment	**8,719,857**	-
Upscale Brands Food Company	Sales	**71,675**	-
	Collections	**(49,646)**	-
Alarabi Investment Company	Purchases	**107,388**	-
	Payments	**(107,388)**	-
SMC Advertising FZ - LLC	Purchases	**(1,953,863)**	-

11- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

The following is a list of compensation for key management personnel incurred during the year:

	(Saudi Riyal)	
	2022	2021
Salaries, wages and rewards	**18,856,507**	8,573,559
Employees' defined benifits obligation (year-end balance)	**5,826,275**	5,309,644
Total	**24,682,782**	13,883,203

The movement in the defined benefits obligation for key management personnel during the year:

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	**5,309,644**	3,780,087
Charge for the year	**516,631**	1,700,458
Transferred to a related party (Note 15)	-	(170,901)
Balance as at the end of the year	**5,826,275**	5,309,644

Key management personnel include members of the board of directors, chief executive officer, finance manager and executive managers as they have the authority and responsibility to plan, direct and control the Group's activities.

Trade receivables related parties (Note 10)

	(Saudi Riyal)	
	2022	2021
Saudi Media Company for Advertising and Publicity	**76,477,278**	43,192,278
MBC Media Solutions Limited	**17,290,689**	-
National Signage Industrial Company	**3,938,685**	2,526,577
MBC Holding Limited Group	**2,832,942**	5,082,942
Multaqa Al Zad Company for Tourism	**619,425**	616,792
MBC – FZ LLC	**304,281**	2,826,183
Elegant Hotel Company for Tourism and Hotels	**255,680**	198,559
House of Skill Company for Contracting and Trading	**240,771**	79,276
Green Box Trading Company	**92,660**	92,660
Upscale Brands Food Company	**22,029**	12,475
Elegant Restaurants Company	**16,260**	1,207
Total	**102,090,700**	54,628,949

Advances to suppliers related parties (Note 12)

	(Saudi Riyal)	
	2022	2021
National Signage Industrial Company	**15,662,945**	11,547,403
House of Skill Company for Contracting and Trading	-	237,341
Total	**15,662,945**	11,784,744

Due to a related party is as follows:

	(Saudi Riyal)	
	2022	2021
Engineer Holding Group Company	**2,692,455**	-
Total	**2,692,455**	-

11- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Other credit balances related parties (Note 17)

	(Saudi Riyal)	
	2022	2021
SMC Advertising FZ - LLC	**1,953,863**	-
House of Skill Company for Contracting and Trading	**189,681**	-
MBC Media Solutions Limited	-	1,725,000
Total	**2,143,544**	1,725,000

12- PREPAID EXPENSES AND OTHER CURRENT ASSETS

	(Saudi Riyal)	
	2022	2021
Prepaid rent of advertising billboards sites (*)	**158,740,648**	363,264,777
Advances to suppliers	**26,218,975**	8,165,594
Advances to suppliers (related Parties Note 11)	**15,662,945**	11,784,744
Value added tax	**8,404,329**	1,784,646
Employees receivable	**1,841,966**	1,641,791
Securing of bank guarantees and letter of credits (Note 26)	**800,300**	928,380
Others	**20,048,375**	7,869,482
Total	**231,717,538**	395,439,414

(*) Includes lease payments for contracts that have not commenced yet in which the Group is committed against these contracts.

13- CASH AND CASH EQUIVALENTS

	(Saudi Riyal)	
	2022	2021
Cash at banks	**114,664,832**	189,131,039
Cash on hand	**689,706**	778,488
Total	**115,354,538**	189,909,527

The Group deposits its cash in good rated banks. The Group's management does not believe that the expected credit losses on its bank balances are material.

14- STATUTORY RESERVE

In accordance with the requirements of the regulation for companies in the Kingdom of Saudi Arabia and Company's article of association, the Group establishes a statutory reserve of 10% of net profit until this reserve reaches 30% of the share capital. This reserve is not available for distribution.

15- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

The Group's policy states that employees' defined benefits obligations is payable to all employees who complete the qualifying service period under the labor law in the Kingdom of Saudi Arabia. The annual provision is based on the actuarial valuation. The latest actuarial valuation was carried out by an independent expert assigned by the Group's management, using the Actuarial Projected Unit Credit Method as at December 31, 2022.

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	**14,627,805**	12,680,012
Current service cost	**1,737,561**	2,240,060
Interest cost (Note 22)	**547,333**	354,179
Foreign currency translation adjustments	**1,084**	-
Re-measurement charged to other comprehensive income	**(2,393,450)**	1,386,347
Paid during the year	**(1,293,587)**	(1,861,892)
Transfer to discontinued operations	**(2,830)**	-
Transferred to a related party (Note 11)	-	(170,901)
Balance as at the end of the year	**13,223,916**	14,627,805

15- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS (continued)

Key actuarial assumptions used:

	2022	2021
Discount rate	**4.60%**	2.60%
Salary increase rate	**1.01%**	1.01%
Employee turnover	**Moderate**	Moderate
Retirement age	**60 years**	60 years

The sensitivity analysis of the main actuarial assumptions is as follows:

	(Saudi Riyal)	
	2022	2021
Discount Rate 1% (+/-)		
Increase	**10,386,427**	11,655,563
Decrease	**13,741,389**	16,050,940
Expected salary increase ratio 1% (+/-)		
Increase	**13,793,191**	16,066,563
Decrease	**10,323,810**	11,609,833

Risk associated with employees' defined benefit obligations:

Salary increase risks:
The most common type of retirement benefit is the one in which benefits are connected to final salaries. The risk arises when the actual increases are higher than expected and therefore affect the obligation.

Withdrawal risks:
The actual withdrawal risk that varies with the valuation assumptions could pose a risk to the benefit obligations. The movement in the obligation can proceed in both directions.

16- SHORT-TERM LOANS

The Group obtained bank facilities in the form of short-term loans from local commercial banks. The loans as at December 31, 2022 amounts to SR 348,915,747 (December 31, 2021: SR 447,866,523). These loans are subject to interest rates prevailing in Saudi banks plus an agreed profit margin. The carrying amount of the short-term loans is denominated in Saudi Riyal and is secured by personal guarantees from the chairman of the Board of Directors and chief executive officer of the Group and promissory notes payable upon request.

The movement in loans for the year is as follows:

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	**447,866,523**	131,795,115
Proceeds during the year	**348,915,747**	499,147,944
Repayment during the year	**(447,866,523)**	(183,076,536)
Balance as at the end of the year	**348,915,747**	447,866,523

17- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	(Saudi Riyal)	
	2022	2021
Accrued rents for municipilaities	**65,288,571**	57,462,342
Discounts due to customers	**52,695,742**	39,918,642
Accrued commissions	**32,629,245**	11,699,711
Dividends payable	**30,000,000**	-
Other creditors	**16,612,292**	13,554,222
Advances from customers	**6,227,761**	2,684,591
Accrued interest cost	**4,636,955**	-
Other creditors (related parties Note 11)	**2,143,544**	1,725,000
Other	**8,232,841**	1,733,809
Total	**218,466,951**	128,778,317

18- ZAKAT PROVISION

The main elements of zakat base are as follows:

	(Saudi Riyal)	
	2022	2021
Adjusted profit for the year	**303,045,674**	218,539,002
Share capital	**500,000,000**	500,000,000
Debts and its equivalent and carried forward provisions and other items	**1,284,228,397**	2,669,660,433
Less: non-current assets	**(1,640,280,264)**	(2,217,784,879)

The movement on zakat provision during the year is as follows:

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	**11,296,889**	6,862,683
Charged for the year	**11,379,987**	11,296,889
Paid during the year	**(11,390,207)**	(6,862,683)
Balance as at the end of the year	**11,286,669**	11,296,889

Zakat assessment and certificate status:
The Company received zakat assessments for the financial years 2017 and 2018 with zakat differences amounting to SR 4,867,663 and an objection was escalated to the Tax Committee for Resolution of Tax Violation and Disputes (Note 26). No ruling has been issued until the date of the consolidated financial statements. The Company has submitted its financial statements and zakat returns until the financial year ended December 31, 2021 and has obtained a certificate from Zakat, Tax, and Customs Authority.

19- REVENUES

	(Saudi Riyal)	
	2022	2021
Outdoor advertisements	**1,046,428,079**	678,820,642
Indoor advertisements	**59,784,015**	28,123,542
Printing	**19,970,283**	13,688,353
Total (Note 6)	**1,126,182,377**	720,632,537

The Group derives its revenues from advertising and printing services at a point in time.

Depreciation of right-of-use assets (Note 8) and depreciation of property, plant and equipment (Note 7) constitutes 70% from the total cost of revenues.

20- SELLING AND MARKETING EXPENSES

	(Saudi Riyal)	
	2022	2021
Sales and marketing commission	**34,903,427**	15,253,206
Salaries, wages and other benefits	**9,900,137**	10,316,870
Depreciation of right-of-use assets (Note 8)	**190,336**	216,917
Others	**1,330,521**	5,376,687
Total	**46,324,421**	31,163,680

21- GENERAL AND ADMINISTRATIVE EXPENSES

	(Saudi Riyal)	
	2022	2021
Salaries, wages and other benefits	**35,391,229**	26,692,591
Professional and legal fees	**3,629,197**	5,316,693
Depreciation of right-of-use assets (Note 8)	**1,619,161**	1,659,439
Insurance of assets	**1,358,745**	858,540
Depreciation of property, plant and equipment (Note 7)	**570,888**	703,621
Repair and maintenance	**173,782**	123,844
Electricity and water	**127,013**	351,881
Others	**6,532,452**	4,770,260
Total	**49,402,467**	40,476,869

22-FINANCE COSTS

	(Saudi Riyal)	
	2022	2021
Finance cost on lease liabilities (Note 8)	**41,456,835**	22,554,707
Finance cost on short-term loans	**13,200,658**	9,613,140
Finance cost on employees' defined benefits obligations (Note 15)	**547,333**	354,179
Total	**55,204,826**	32,522,026

23- OTHER EXPENSES, NET

	(Saudi Riyal)	
	2022	2021
Losses on disposal of property, plant and equipment	**(8,688,285)**	(11,978,684)
Other income	**152,114**	716,024
Total	**(8,536,171)**	(11,262,660)

24-DISCONTINUED OPERATIONS

The management of the Group decided to cease the operations of Al-Taer Al-Arabi Trading Company, a wholly owned subsidiary, and is in the process of liquidating the Company. Accordingly, the Group did not include this subsidiary in its consolidated financial statements. Hence, Al-Taer Al-Arabi Trading Company has been classified as a discontinued operation. The results of the operations of Al-Taer Al-Arabi Trading Company for the current year were presented in the consolidated statement of comprehensive income as follows:

	(Saudi Riyal)
	2022
Revenues	**176,424**
Cost of revenues	**(3,234,533)**
Gross loss	**(3,058,109)**
Selling and marketing expenses	**(1,038,575)**
General and administrative expenses	**(4,970,664)**
Other expenses	**(21,965)**
Loss for the year from discontinued operations	**(9,089,313)**

24- DISCONTINUED OPERATIONS (continued)

The following is a statement of the main categories of assets and liabilities of Al-Taer Al-Arabi Trading Company, which have been classified as discontinued operations:

	(Saudi Riyal) 2022
Assets	
Inventories	**3,080,422**
Prepaid expenses and other current assets	**1,247,308**
Cash and cash equivalents	**157,087**
Assets from discontinued operations	**4,484,817**
Liabilities	
Employees' defined benefits obligations	**127,635**
Trade payables	**1,295,694**
Accrued expenses and other current liabilities	**467,169**
Liabilities from discontinued operations	**1,890,498**
Net assets directly related to discontinued operations (*)	**2,594,319**

(*) The Board of Directors resolved on October 26, 2022 to voluntarily liquidate Al-Taer Al-Arabi Trading Company (Sindebaad), which is a 100% owned subsidiary by Arabian Contracting Services Company and its paid in capital is SR 50,000 (Note 2 - 4 - B).

25- DIVIDENDS

The Group's Board of Directors recommended in their meeting held on Sha'aban 3, 1443 H (corresponding to March 6, 2022) to declare an annual dividends for the year 2021 with an amount of SR 93 million (SR 1.86 per share). The Board of Directors presented this to the shareholders and have been approved in the Extraordinary General Assembly meeting held on Shawal 9, 1443 H (corresponding to May 10, 2022).

The Group's Board of Directors recommended in their meeting held on Safar 8, 1444 H (corresponding to September 4, 2022) to declare dividends for the first half of the year 2022 with an amount of SR 95 million (SR 1.90 per share). The Board of Directors have presented this to the shareholders and have been approved in their Ordinary General Assembly meeting held on Rabi' Al Awwal 8, 1444 H (corresponding to October 4, 2022).

26- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group has the following contingent liabilities and capital commitments:

	(Saudi Riyal)	
	2022	2021
Letters of Guarantee *	**43,712,342**	80,290,298
Letters of credit	**656,279**	6,318,649
Capital commitments **	**8,322,120**	8,993,191

* Letters of guarantee are corresponded with secured cash deposited at banks as at December 31, 2022 with an amount of SR 800,300 (2021: SR 928,380 – Note 12).

** The Group has capital commitments related to advertising billboards that are being manufactured (projects under progress) (Note 7).

The Group also has potential zakat assessments with an amount of SR 4.8 million. The Group's management believes that the decision of the Tax Committee for Resolution of Tax Violation and Disputes will be in favor of the Group (Note 18).

27- EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent company by the weighted average number of ordinary shares issued during the year and the prior year (50 million shares). The diluted earnings per share is the same as the basic earnings per share.

28- FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group is exposed to the following risks as a result of its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Commission rate risk
- Foreign currency risk
- Price risk
- Capital risk management

This note shows information about the Group's exposure to each of the above risks, the Group's objectives, policies and methods for measuring and managing risks.

GENERAL FRAMEWORK FOR RISK MANAGEMENT

The overall responsibility for the preparation and monitoring of risk management rests with the Group's management. The Group's risk management policies are designed to identify and analyze the risks faced by the Group and to set appropriate controls and limits on the extent of exposure to those risks and then monitor them to ensure that the limits set are not exceeded. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Group's activities. The Group's management aims, through training, standards and procedures set by the management, to develop a constructive and organized control environment so that each employee understands his role and the duties assigned to him.

CREDIT RISK

Credit risk represents the inability of one party to meet its obligations, which leads to the other party incurring a financial loss. The Group's policy states that all customers who wish to deal on a deferred basis are subject to a credit check. Financial instruments that are subject to concentration of credit risk mainly consist of customer receivables. The Group deposits cash with a number of financial institutions with good credit rating, and it has a policy based on setting limits on its deposited balances with each financial institution.

The Group does not believe that there are significant risks from the inefficiency of these institutions and the Group does not consider itself exposed to concentrations of credit risks with respect to debtors due to the diversity of its customer base working in various activities and located in multiple regions.

The maximum credit risk to which the Group is exposed is represented by the value of the financial assets listed in the consolidated statement of financial position as follows:

	(Saudi Riyal)	
	2022	2021
Trade receivables	**627,619,797**	419,295,822
Other current assets	**31,094,970**	12,224,299
Cash at banks	**114,664,832**	189,131,039
Total	**773,379,599**	620,651,160

Exposing the Group to credit risks are primarily affected by the individual characteristics for each customer separately. Management takes into account also the factors that may have an impact on the credit risks of the Group's clients' base, including the risks of failure in the clients' sector where the clients operate their activities.

The Group has made a credit policy to analyze each new client separately to verify its credit ability before presenting the payment's terms and conditions of the Group. The Group's review includes the external classifications in case it is available and in some cases the bank references. Sales limitations are being set for each customer and are being reviewed quarterly.

The impairment for expected credit losses on trade receivables has been estimated as at December 31, 2022 with an amount of SR 17,899,804 (2021: SR. 10,597,562) (Note 10) in accordance with the Group's applied policy and IFRS 9 – "Financial Instruments".

28- FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

CREDIT RISK (continued)

As at the date of the consolidated statement of financial position, the aging of trade receivables was as follows:

December 31, 2022	(Saudi Riyal)		
Aging (in days)	**Carrying amount**	**Expected credit losses**	**Net**
From 0 to 90	**413,587,732**	**117,502**	**413,470,230**
From 91 to 180	**89,913,651**	**185,689**	**89,727,962**
From 181 to 270	**37,592,997**	**279,630**	**37,313,367**
From 271 to 360	**19,820,529**	**357,360**	**19,463,169**
More than 360	**84,604,692**	**16,959,623**	**67,645,069**
Total	**645,519,601**	**17,899,804**	**627,619,797**

December 31, 2021	(Saudi Riyal)		
Aging (in days)	Carrying amount	Expected credit losses	Net
From 0 to 90	283,377,792	135,629	283,242,163
From 91 to 180	69,390,206	85,291	69,304,915
From 181 to 270	29,293,554	155,292	29,138,262
From 271 to 360	27,682,783	472,221	27,210,562
More than 360	20,149,049	9,749,129	10,399,920
Total	429,893,384	10,597,562	419,295,822

The movement on expected credit losses during the year is as follows:

	(Saudi Riyal)	
	2022	2021
Balance as at the beginning of the year	**10,597,562**	13,283,264
Charged during the year	**7,302,242**	-
Reversal of expected credit losses	**-**	(2,685,702)
Balance as at the end of the year	**17,899,804**	10,597,562

CONCENTRATIONS RISK OF MAXIMUM EXPOSURE TO CREDIT RISK

Concentrations arise when a number of the opposite parties involve in similar activities or in the same geographic area, or when they have similar economic characteristics, which may lead their ability to fulfill the contractual obligations affected similarly with the changes of the economic circumstances or policy or other. Concentrations indicate to the material sensitivity for the Group' performance toward the developments which may effect on the business or on a specific geographic area.

LIQUIDITY RISK

Liquidity risk represents the Group's difficulties in raising funds to meet commitments related to financial instruments. Liquidity risk can result from the inability to sell any financial asset quickly at an amount close to its fair value. The Group's terms of sale stipulate that the amounts are paid in cash when supplying goods or providing services on a deferred basis.

The following are contractual accruals of non-derivative financial liabilities:

	(Saudi Riyal)			
December 31, 2022	**Carrying amount**	**Contractual cash flows**	**Less than one year**	**More than a year**
Trade payables	**8,237,538**	**8,237,538**	**8,237,538**	**-**
Accrued expenses and other current liabilities	**218,466,951**	**218,466,951**	**218,466,951**	**-**
Due to a related party	**2,692,455**	**2,692,455**	**2,692,455**	**-**
Short-term loans	**348,915,747**	**348,915,747**	**348,915,747**	**-**
Lease liabilities	**1,216,568,766**	**1,216,568,766**	**196,153,896**	**1,020,414,870**
Total	**1,794,881,457**	**1,794,881,457**	**774,466,587**	**1,020,414,870**

28- FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

December 31, 2021	(Saudi Riyal) Carrying amount	Contractual cash flows	Less than one year	More than a year
Trade payables	4,630,203	4,630,203	4,630,203	-
Accrued expenses and other current liabilities	128,778,317	128,778,317	128,778,317	-
Short-term loans	447,866,523	447,866,523	447,866,523	-
Lease liabilities	1,901,255,078	1,901,255,078	314,105,526	1,587,149,552
Total	2,482,530,121	2,482,530,121	895,380,569	1,587,149,552

MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk which are ***commission rate risk, foreign currency risk and price risk*** and other risks such as equity price risk and commodity price risk.

COMMISSION RATE RISK

Commission rate risk represents the risk arising from the fluctuation of the value of financial instruments due to changes in commission rates prevailing in the market. The Group is subject to commission rate risk on intra-group borrowings.

FOREIGN CURRENCY RISK

Currency risk represents the risks resulting from the fluctuation of the value of a financial instrument due to changes in foreign exchange rates. Management monitors fluctuations in foreign exchange rates (US Dollars, Egyptian Pound, Euro, and Emirates Dirham) and believes that the Group is not exposed to significant currency risks.

PRICE RISK

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to a significant price risk.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to:

- Safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or return capital to shareholders, and issue new shares or sell assets to reduce debt.

The Group seeks to maintain a balance between the highest return that can be achieved in the event of borrowing to the highest possible extent, and the preference and security derived from a strong capital position.

The following is a statement showing the debt-to-adjusted capital ratio:

	(Saudi Riyal) **2022**	2021
Total debt	**348,915,747**	447,866,523
Less: cash and cash equivalents	**(115,354,538)**	(189,909,527)
Net debt	**233,561,209**	257,956,996
Net equity	**819,870,860**	731,278,591
Adjusted capital	**820,960,138**	731,278,591
Debt to adjusted capital ratio	**0.28**	0.35

29- FAIR VALUE OF FINANCIAL INSTRUMENTS

For the purpose of fair value disclosures of financial instruments, all financial assets and liabilities of the Group are not measured at fair value, as they are measured at amortized cost.

30- COMPARATIVE FIGURES

Presented comparative figures for the year ended December 31, 2021 have been reclassified to conform to the current year's presentation and classification.

31- SIGNIFICANT EVENTS

The Group's Board of Directors resolved on Rabi' Al Awwal 15, 1444 H (Corresponding to October 11, 2022) to approve on a purchase agreement on the acquisition of the entire shares of Faden Agency Company for Publicity and Advertising "A One Person Limited Liability Company" with a share capital amounting to SR 25 million, The total value of the transaction amounts to SR 1,050 million. The completion of the transaction is subject to a few preconditions mentioned in the purchase agreement, including obtaining approvals from the relevant government authorities, and obtaining the approval of the General Authority for Competition. The legal requirements are still under process and there are no other material events that may require disclosure up to the date of the independent auditor's report.

32- SUBSEQUENT EVENTS

As per management opinion, there are no significant subsequent events after the year ended December 31, 2022 that could have a material impact on the Group's consolidated financial position or the results of its operations.

33- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of the group on 24 Sha'ban 1444 H (Corresponding to March 16, 2023).