



RSM

شركة آر إس إم المحاسبون المتحدون للإستشارات المهنية
RSM Allied Accountants Professional Services Co.

**ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023

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Independent Auditor's Report on Review of Condensed Interim Consolidated Financial Statements

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

Introduction:

We have reviewed the accompanying condensed interim consolidated statement of financial position of **Arabian Contracting Services Company** (the "Company") and its subsidiaries (collectively referred to as the "Group") as at March 31, 2023, and the condensed interim consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the three-months period then ended, and other explanatory notes. Management is responsible for preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Other matter:

The condensed interim consolidated financial statements of the Group for the three-months period ended March 31, 2022, were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim consolidated financial statements on Shawwal 17, 1443 H (corresponding to May 18, 2022).

RSM Allied Accountants Professional Services

Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh, Kingdom of Saudi Arabia
2 Dhu'l-Qidah 1444 H (Corresponding to 22 May 2023)



ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2023
(SAUDI RIYAL)

	Notes	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	198,427,314	199,586,967
Right-of-use assets	7	1,602,683,018	1,445,947,004
Total non-current assets		1,801,110,332	1,645,533,971
Current assets			
Inventories		17,040,755	17,532,017
Prepaid expenses and other current assets		135,950,921	231,717,538
Trade receivables	8	758,288,435	627,619,797
Cash and cash equivalents		122,202,439	115,354,538
Total current assets		1,033,482,550	992,223,890
Assets from discontinued operations	12	2,453,763	4,484,817
TOTAL ASSETS		2,837,046,645	2,642,242,678
EQUITY AND LIABILITIES			
Equity			
Share capital	1	500,000,000	500,000,000
Statutory reserve		73,035,771	73,035,771
Retained earnings		338,157,623	247,336,074
Foreign currency translation reserve		(4,828,784)	(500,985)
Total equity attributable to equity holders of the parent company		906,364,610	819,870,860
Non-controlling interests		(359,459)	1,089,278
Total equity		906,005,151	820,960,138
Liabilities			
Non-current liabilities			
Employees' defined benefits obligations		13,587,287	13,223,916
Lease liabilities	7	1,118,193,034	1,020,414,870
Total non-current liabilities		1,131,780,321	1,033,638,786
Current liabilities			
Lease liabilities - current portion	7	253,742,737	196,153,896
Short-term loans	10	233,980,747	348,915,747
Trade payables		7,319,647	8,237,538
Due to a related party	9	-	2,692,455
Accrued expenses and other current liabilities		288,465,531	218,466,951
Zakat provision	11	15,507,493	11,286,669
Total current liabilities		799,016,155	785,753,256
Liabilities from discontinued operations	12	245,018	1,890,498
Total liabilities		1,931,041,494	1,821,282,540
TOTAL EQUITY AND LIABILITIES		2,837,046,645	2,642,242,678

Finance Manager
Mohamad Al Bazz

Chief Executive Officer
Mohamad Al Khereiji

Chairman of Board of Directors
Abdel Ellah Al Khereiji

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

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023
(SAUDI RIYAL)

	Notes	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Continuing operations			
Revenues	5	312,366,408	287,400,301
Cost of revenues		(168,806,456)	(158,290,736)
Gross profit		143,559,952	129,109,565
Selling and marketing expenses		(12,852,730)	(12,049,122)
General and administrative expenses		(14,983,826)	(11,053,234)
Expected credit losses	8	(1,000,000)	-
Operating profit		114,723,396	106,007,209
Finance costs		(20,178,674)	(12,667,316)
Losses from disposal of right-of-use assets		-	(24,357,154)
Other income / (expenses)		189,521	(383,806)
Profit before zakat from continuing operations		94,734,243	68,598,933
Zakat	11	(4,220,824)	(2,773,636)
Profit for the period from continuing operations		90,513,419	65,825,297
Discontinued operations			
Loss from discontinued operations	12	(1,030,096)	(935,480)
Profit for the period		89,483,323	64,889,817
Profit for the period attributable to:			
Equity holders of the parent company		90,821,549	64,889,817
Non-controlling interests		(1,338,226)	-
		89,483,323	64,889,817
Basic and diluted earnings per share:			
Earnings per share attributable to equity holders of the parent company	14	1,82	1,30
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		(4,438,310)	-
Total other comprehensive loss for the period		(4,438,310)	-
Total comprehensive income for the period		85,045,013	64,889,817
Total comprehensive income for the period attributable to:			
Equity holders of the parent company		90,714,677	64,889,817
Non-controlling interests		(5,669,664)	-
		85,045,013	64,889,817

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ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023
(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
For the period ended March 31, 2022							
Balance as at January 1, 2022 (Audited)	500,000,000	45,565,791	185,712,800	-	731,278,591	-	731,278,591
Profit for the period	-	-	64,889,817	-	64,889,817	-	64,889,817
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	64,889,817	-	64,889,817	-	64,889,817
Balance as at March 31, 2022 (Unaudited)	500,000,000	45,565,791	250,602,617	-	796,168,408	-	796,168,408
For the period ended March 31, 2023							
Balance as at January 1, 2023 (Audited)	500,000,000	73,035,771	247,336,074	(500,985)	819,870,860	1,089,278	820,960,138
Profit for the period	-	-	90,821,549	-	90,821,549	(1,338,226)	89,483,323
Other comprehensive loss for the period	-	-	-	(4,327,799)	(4,327,799)	(110,511)	(4,438,310)
Total comprehensive income for the period	-	-	90,821,549	(4,327,799)	86,493,750	(1,448,737)	85,045,013
Balance as at March 31, 2023 (Unaudited)	500,000,000	73,035,771	338,157,623	(4,828,784)	906,364,610	(359,459)	906,005,151

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ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023
(SAUDI RIYAL)

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	(Unaudited)	(Unaudited)
<u>OPERATING ACTIVITIES:</u>		
Profit before zakat from continuing operations	94,734,243	68,598,933
Loss from discontinued operations	(1,030,096)	(935,480)
<u>Adjustments:</u>		
Depreciation of property, plant and equipment	8,954,168	7,450,782
Depreciation of right-of-use assets	114,082,196	116,435,703
Expected credit losses	1,000,000	-
Losses on sale of property, plant and equipment	174,253	490,400
Current service cost of employees' defined benefits obligations	658,784	673,464
Finance costs related to short-term loans	6,025,912	3,105,659
Finance costs related to lease liabilities	14,152,762	9,561,657
Loss on disposal of right-of-use assets	-	24,357,154
<u>Changes in working capital:</u>		
Trade receivables	(131,668,638)	(143,938,550)
Inventories	491,262	(747,735)
Prepaid expenses and other current assets	54,293,181	(66,332,061)
Trade payables	(917,891)	9,574,085
Accrued expenses and other current liabilities	20,209,384	(15,965,303)
Due to a related party	(2,692,455)	-
Change in net assets of discontinued operations	385,574	-
Cash generated from operations	<u>178,852,639</u>	<u>12,328,708</u>
Employees' defined benefits obligations paid	(295,413)	(36,102)
Net cash flows from operating activities	<u>178,557,226</u>	<u>12,292,606</u>
<u>INVESTING ACTIVITIES:</u>		
Additions to property, plant and equipment	(8,113,500)	(12,315,158)
Proceeds from sale of property, plant and equipment	144,732	14,000
Net cash flows used in investing activities	<u>(7,968,768)</u>	<u>(12,301,158)</u>
<u>FINANCING ACTIVITIES:</u>		
Proceeds from short-term loans	-	173,834,730
Repayment of short-term loans	(114,935,000)	(145,040,287)
Lease liabilities paid	(41,701,607)	(10,084,785)
Finance costs paid	(2,665,640)	(3,105,659)
Net cash flows (used in) / from financing activities	<u>(159,302,247)</u>	<u>15,603,999</u>
Net change in cash and cash equivalents during the period	<u>11,286,211</u>	<u>15,595,447</u>
Foreign currency translation adjustment	(4,438,310)	-
Cash and cash equivalents at the beginning of the year	115,354,538	189,909,527
Cash and cash equivalents at the end of the period	<u>122,202,439</u>	<u>205,504,974</u>
<u>Non-cash transactions:</u>		
Additions to right-of-use assets / lease liabilities	264,969,510	128,906,690
Amortization of lease liabilities into accrued expenses	(46,428,924)	(76,722,922)
Absorption of prepaid expenses into lease liabilities	(41,473,436)	(154,630,670)
Accrued finance costs	3,360,272	-
Transfer of projects under progress to intangible assets	-	2,536,286
Transfer of employees' defined benefits obligations to a related party	-	(207,252)

Finance Manager
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ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023

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 condensed interim 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	City	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

The accompanying condensed interim consolidated financial statements as at March 31, 2023 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	
			March 31, 2023	December 31, 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%	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 12).

(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.

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Group's condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The condensed interim consolidated financial statements do not include all the information and disclosures required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, and therefore they should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022. The results for the period are not an indication of the annual results of the Group.

2.2 Basis of measurement

These condensed interim consolidated financial statements have been prepared under historical cost basis except for employees' defined benefits obligations that are measured at present value of future obligation using projected unit credit method. Moreover, these condensed interim consolidated financial statements are prepared using accrual basis of accounting and going concern concept.

2.3 Basis of consolidation

The Group re-assesses whether or not it has a control over an investee if facts and circumstance indicate that there is a change to the elements of the control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, revenues, and expenses of the acquired subsidiary during the period are included within the condensed interim consolidated financial statements effective from the date the Group gains control until the date the Group ceases such control over the investee.

In particular, the Group controls an investee only when the Group has:

- Power over the investee (i.e. existence of rights that gives the Group the current ability to direct the relevant activities of the investee)
- Exposure to risks, or has rights, to variable returns from its direct relationship with the investee.
- The ability to use its power over the investee to affect its returns.

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

- The contractual arrangement (arrangements) with the other voting rights holders in the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

Income and each items of the other comprehensive income (OCI) is attributed to the equity of the Group. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group's applied accounting policies.

Assets, liabilities, equity, revenues, expenses and cash flows related to transactions between Group's companies are fully eliminated upon consolidating the condensed interim consolidated financial statements.

2.4 Significant accounting estimates and assumptions

In preparing these condensed interim consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements for the year ended December 31, 2022.

2.5 Functional and presentation currency

These condensed interim consolidated financial statements are presented in Saudi Riyal, unless otherwise stated. The Saudi Riyal is the functional and presentation currency of the Group.

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023

3. NEW STANDARDS AND AMENDMENTS ISSUED.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2023. The management has assessed that the amendments have no significant impact on the Group's interim condensed consolidated financial statements.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.

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

Amendment to IAS 12

Deferred tax related to assets and liabilities arising from a single transaction - requires companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Standards and amendments issued and not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, Effective for annual financial periods beginning on or after 2024.

Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period and non-current liabilities with covenants

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments require seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.

4. CONSISTENT OF ACCOUNTING POLICIES

The accounting policies followed and the methods of calculation applied in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022.

5. 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 operational 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

Advertising segment

Printing segment

Online sales segment

Operations / Activity

Indoor and outdoor advertisements

All types of printing work

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:

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023
5. OPERATING SEGMENTS (Continued)
Information on segment reporting (Continued)

For the three-months period ended March 31, 2023 (Unaudited)	Advertising segment SR	Printing segment SR	Online sales segment SR	Total segments SR	Reconciliation and elimination SR	Consolidated SR
Revenues						
Customers	305,406,401	6,960,007	148,027	312,514,435	(148,027)	312,366,408
Transactions between segments	-	3,892,694	-	3,892,694	(3,892,694)	-
Total revenues	305,406,401	10,852,701	148,027	316,407,129	(4,040,721)	312,366,408
Depreciation	121,705,873	1,330,491	-	123,036,364	-	123,036,364
Profit of the period	90,431,054	1,112,461	(1,030,096)	90,513,419	(1,030,096)	89,483,323
For the three-months period ended March 31, 2022 (Unaudited)						
	Advertising segment SR	Printing segment SR	Online sales segment SR	Total segments SR	Reconciliation and elimination SR	Consolidated SR
Revenues						
Customers	283,506,569	3,893,732	-	287,400,301	-	287,400,301
Transactions between segments	-	2,923,875	-	2,923,875	(2,923,875)	-
Total revenues	283,506,569	6,817,607	-	290,324,176	(2,923,875)	287,400,301
Depreciation	123,051,341	835,144	-	123,886,485	-	123,886,485
Profit of the period	66,510,446	250,331	(935,480)	65,825,297	(935,480)	64,889,817

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 sector, which represents a major 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 data for each geographic region separately:

	(Saudi Riyal)	
	March 31, 2023 (Unaudited)	March 31 2022 (Unaudited)
Geographical information		
Revenues from customers		
Kingdom of Saudi Arabia	308,529,849	287,400,301
Arab Republic of Egypt	3,836,559	-
Total	312,366,408	287,400,301

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

The management of the Group 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 the condensed interim consolidated statement of profit or loss and other comprehensive income.

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023

6. PROPERTY, PLANT AND EQUIPMENT

	(Saudi Riyal)	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost:		
Balance as at the beginning of the period / year	323,376,926	305,550,744
Additions during the period / year	8,113,500	59,208,688
Disposals during the period / year	(2,373,286)	(38,694,490)
Foreign currencies translation adjustment during the period / year	490,278	745
Transferred to discontinued operations	-	(2,688,761)
Balance as at the end of the period / year	329,607,418	323,376,926
Accumulated depreciation:		
Balance as at the beginning of the period / year	123,789,959	112,141,491
Depreciation during the period / year	8,954,168	31,511,108
Disposals during the period / year	(2,054,301)	(19,741,247)
Foreign currencies translation adjustment during the period / year	490,278	(42,645)
Transferred to discontinued operations	-	(78,748)
Balance as at the end of the period / year	131,180,104	123,789,959
Net book value:	198,427,314	199,586,967

As at March 31, 2023, property, plant and equipment include projects under progress with an amount of SR 29.7 million (December 31, 2022: SR 34.6 million), which represents advertising billboards that are being manufactured. The additional expected value until its completion as at March 31, 2023 amounts to SR 7.3 million (December 31, 2022: SR 8.3 million) (Note 13).

Property, plant and equipment also include buildings constructed on lands owned by the Group, as these buildings belong to the Group's labor housing.

7. 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 lease payments due related to those leases recognized in the condensed interim consolidated statement of financial position.

	(Saudi Riyal)	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Right-of-use assets		
Balance as at the beginning of the period / year	2,322,130,961	2,829,845,948
Additions during the period / year	264,969,510	1,045,787,001
Adjustments (B)	5,848,700	87,582,039
Disposals (A)	(3,537,273)	(1,641,084,027)
Balance as at the end of the period / year	2,589,411,898	2,322,130,961
Right-of-use assets accumulated depreciation		
Balance as at the beginning of the period / year	876,183,957	803,131,368
Depreciation	109,122,050	408,165,082
Adjustments (B)	4,960,146	12,759,727
Disposals (A)	(3,537,273)	(347,872,220)
Balance as at the end of the period / year	986,728,880	876,183,957
Net book value for right-of-use assets	1,602,683,018	1,445,947,004

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7. RIGHT-OF-USE ASSETS / LEASE LIABILITIES (Continued)

	(Saudi Riyal)	
	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Lease liabilities		
Balance as at the beginning of the period / year	1,216,568,766	1,901,255,078
Additions during the period / year	264,969,510	1,045,787,001
Adjustments (B)	5,848,700	87,582,039
Adjustment of finance cost	1,210,785	610,755
Disposals (A)	-	(1,268,854,652)
Adjustment of accrued rents (C)	-	(35,477,494)
	<u>1,488,597,761</u>	<u>1,730,902,727</u>
(Deduct) / add:		
Absorption of prepaid expenses (D)	(41,473,436)	(221,005,895)
Paid during the period / year	(41,701,607)	(260,545,470)
Finance cost	12,941,977	40,846,080
Amortization of accrued expenses	(46,428,924)	(73,628,676)
Balance as at the end of the period / year	<u><u>1,371,935,771</u></u>	<u><u>1,216,568,766</u></u>
Current portion	253,742,737	196,153,896
Non-current portion	<u>1,118,193,034</u>	<u>1,020,414,870</u>
	<u><u>1,371,935,771</u></u>	<u><u>1,216,568,766</u></u>

(A) 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.

(B) The adjustments to the right-of-use assets during the period 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.

(C) The Group agrees with the lessor in the lease contract to makes 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.

(D) 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.

8. TRADE RECEIVABLES

	(Saudi Riyal)	
	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Trade receivables	656,713,744	543,428,901
Trade receivables (related parties, Note 9)	120,474,495	102,090,700
Less: expected credit losses	(18,899,804)	(17,899,804)
Net	<u><u>758,288,435</u></u>	<u><u>627,619,797</u></u>

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

	(Saudi Riyal)	
	March 31, 2023	March 31, 2023
	(Unaudited)	(Unaudited)
Balance as at the beginning of the period	17,899,804	10,597,562
Charged during the period	1,000,000	-
Balance as at the end of the period	<u><u>18,899,804</u></u>	<u><u>10,597,562</u></u>

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9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

During the period / year, the Group had 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 normal course of business of the Group.

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

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

Related party name	Nature of transaction	(Saudi Riyal)	
		March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Saudi Media Company for Advertising and Publicity	Sales	22,631,961	7,509,067
	Purchases	(273,844)	(7,876,837)
	Collections	-	13,160,638
National Signage Industrial Company	Bills payment	24,000	-
	Advertising billboard cost	(2,857,319)	(5,832,786)
	Sales	38,238	67,813
	Collections	(1,000,000)	-
	Advance payments	-	13,353,295
Engineer Holding Group Company	Expenses paid on behalf	(689,112)	-
	Balance settlement	3,381,566	-
	Accrued dividends paid	10,000,000	-
	Transferred end of service	-	(207,252)
	Sales	6,841	-
MBC Holding Limited Group	Sales	-	4,537,866
	Collections	-	2,826,183
MBC Media Solutions Limited	Purchases	(546,515)	-
	Sales	5,941,538	-
	Bills payment	3,709,311	-
	Collections	21,000,000	-
SMC Advertising FZ - LLC	Sales	9,057,405	-

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9. BALANCE AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	(Saudi Riyal)	
	March 31, 2023	March 31, 2022
	(Unaudited)	(Unaudited)
Salaries, wages and remuneration	2,056,485	4,218,160
Employees' defined benefits obligation (period-end balance)	5,976,899	5,230,856
Total	8,033,384	9,449,016

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 8)

	(Saudi Riyal)	
	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Saudi Media Company for Advertising and Publicity	98,835,394	76,477,278
MBC – FZ LLC	9,361,686	304,281
MBC Media Solutions Limited	5,395,023	17,290,689
National Signage Industrial Company	2,976,923	3,938,685
MBC Holding Limited Group	2,832,942	2,832,942
Multaqa Al Zad Company for Tourism	628,454	619,425
Elegant Hotel Company For Tourism and Hotels	255,680	255,680
Green Box Trading Company	130,610	92,660
House of Skill Company for Contracting and Trading	39,452	240,771
Upscale Brands Food Company	11,490	22,029
Engineer Holding Group Company	6,841	-
Elegant Restaurants Company	-	16,260
Total	120,474,495	102,090,700

Advances to suppliers - related parties

	(Saudi Riyal)	
	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
National Signage Industrial Company	12,829,625	15,662,945
Total	12,829,625	15,662,945

The due to a related party represents the following:

	(Saudi Riyal)	
	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
Engineer Holding Group Company	-	2,692,455
Total	-	2,692,455

Other payables - related parties

	(Saudi Riyal)	
	March 31, 2023	December 31, 2022
	(Unaudited)	(Audited)
SMC Advertising FZ - LLC	1,953,863	1,953,863
House of Skill Company for Contracting and Trading	-	189,681
Total	1,953,863	2,143,544

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FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023**10. SHORT-TERM LOANS**

The Group obtained bank facilities in the form of short-term loans from local commercial banks. The loans as at March 31, 2023 amounts to SR 233,980,747 (December 31, 2022: SR 348,915,747). 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 some if it 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 the loans is as follows:

	(Saudi Riyal)	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance as at the beginning of the period / year	348,915,747	447,866,523
Proceeds during the period / year	-	348,915,747
Repayment during the period / year	(114,935,000)	(447,866,523)
Balance as at the end of the period / year	233,980,747	348,915,747

11. ZAKAT PROVISION

The movement in zakat provision during the period / year represents the following:

	(Saudi Riyal)	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance as at the beginning of the period / year	11,286,669	11,296,889
Charged during the period / year	4,220,824	11,379,987
Paid during the period / year	-	(11,390,207)
Balance as at the end of the period / year	15,507,493	11,286,669

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 13). No ruling has been issued until the date of the condensed interim consolidated financial statements. The Company has submitted its financial statements and zakat returns until 2022 and has obtained a certificate from Zakat, Tax, and Customs Authority.

12. 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 condensed interim 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 period were presented in the condensed interim consolidated statement of profit or loss and other comprehensive income as follows:

	(Saudi Riyal)	
	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Sales	148,027	-
Cost of sales	(637,137)	(293,398)
Gross loss	(489,110)	(293,398)
General and administrative expenses	(540,986)	(642,082)
Loss for the period from discontinued operations	(1,030,096)	(935,480)

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FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2023**12. 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)	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Inventories	1,472,465	3,080,422
Prepaid expenses and other current assets	805,399	1,247,308
Cash and cash equivalents	175,899	157,087
Assets from discontinued operations	2,453,763	4,484,817
Liabilities		
Employees' defined benefits obligations	64,370	127,635
Trade payables	9,837	1,295,694
Accrued expenses and other current liabilities	170,811	467,169
Liabilities from discontinued operations	245,018	1,890,498
Net assets directly related to discontinued operations (*)	2,208,745	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 1).

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group has the following contingent liabilities and capital commitments:

	(Saudi Riyal)	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Letters of guarantee *	46,668,841	43,712,342
Letters of credit	1,017,538	656,279
Capital commitments **	7,363,247	8,322,120

* Letters of guarantee are corresponded with secured cash deposited at banks as at March 31, 2023 with an amount of SR 800,300 (December 31, 2022: SR 800,300).

** The Group has capital commitments related to advertising billboards that are being manufactured (projects under progress) (Note 6).

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 11).

14. 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 period and the prior period (50 million shares). The diluted earnings per share is the same as the basic earnings per share.

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(CONTINUED)

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15. 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.

16. COMPARATIVE FIGURES

Comparative figures for the period ended March 31, 2022 have been reclassified to conform to the current period's presentation and classification.

17. SUBSEQUENT EVENTS

As per management opinion, there are no significant subsequent events after the period ended March 31, 2023 that could have a material impact on the Group's consolidated financial position or the results of its operations, except for the following:

On Dhul Qidah 1, 1444 AH (Corresponding to May 21, 2023), the group announced the recommendation of the Board of Directors to distribute cash dividends to the company's shareholders for the second half of the year 2022. This subsequent event is still subject to the approval of the group's general assembly.

18. 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.

19. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements were approved by the Group's Board of Directors on 2 Dhu'l-Qidah 1444 H (Corresponding to 22 May 2023).