ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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(CLOSED JOINT STOCK COMPANY)

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AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
Riyadh, Kingdom of Saudi Arabia

Opinion
We have audited the consolidated financial statements of Arabian Contracting Services Company (the "Company"), and its subsidiary (together "The Group"), which comprises the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year than ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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 ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 "IFRS" that are endorsed in the Kingdom Of Saudi Arabia, and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants SOCPA, and Regulations for Companies and the Company's by lows, and 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, and 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 its operations or has no realistic alternative but to do so.

Those charged with governance " The Board of Directors" are responsible for overseeing the Group's financial reporting process.

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<u>**INDEPENDENT AUDITOR'S REPORT** (Continued)</u>

To the Shareholders

ARABIAN CONTRACTING SERVICES COMPANY

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 of Auditing "ISA" will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audit in accordance with the International Standards of Auditing "ISA" 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.
- 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 our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated 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.

BAKER TILLY MKM & CO.
Certified Public Accountants

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License 323/11/479
BAKER TILLY
MKM & CO.

Ayad Obeyan Alseraihi
License No. 405
Riyadh on February 28, 2021 G
Corresponding to Rajab 16, 1442 H

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(SAUDI RIYALS)

	Notes	**2020**	2019
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	5	**154,912,900**	124,471,071
Right of use	6	**694,378,352**	775,073,996
TOTAL NON-CURRENT ASSETS		**849,291,252**	899,545,067
CURRENT ASSETS			
Inventory, net	7	**15,626,738**	12,989,851
Trade receivables, net	8	**335,518,510**	357,896,366
Due from related parties	9	**18,736,610**	24,028,243
Prepayments and other debit balances	10	**69,111,602**	58,514,273
Cash and cash equivalents	11	**26,585,303**	36,088,563
TOTAL CURRENT ASSETS		**465,578,763**	489,517,296
TOTAL ASSETS		**1,314,870,015**	1,389,062,363
SHAREHOLDERS EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	1	**500,000,000**	500,000,000
Statutory reserve	12	**25,079,630**	22,466,028
Retained earnings		**1,337,349**	1,814,929
TOTAL EQUITY		**526,416,979**	524,280,957
NON-CURRENT LIABILITIES			
Employees defined benefits obligation	13	**12,680,012**	13,412,491
Lease liabilities	6	**316,255,139**	316,233,460
TOTAL NON-CURRENT LIABILITIES		**328,935,151**	329,645,951
CURRENT LIABILITIES			
Lease liabilities - current portion	6	**215,408,520**	176,965,264
Short-term loans	14	**131,795,115**	239,467,433
Suppliers	15	**7,238,338**	2,666,785
Accrued expenses and other credit balances	16	**98,213,229**	107,261,677
Zakat Provision	17	**6,862,683**	8,774,296
TOTAL CURRENT LIABILITIES		**459,517,885**	535,135,455
TOTAL LIABILITIES		**788,453,036**	864,781,406
TOTAL EQUITY AND LIABILITIES		**1,314,870,015**	1,389,062,363

Financial Manager | Chief Executive Officer | Chairman of Board of Directors

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	Notes	**2020**	2019
Revenue	18	**497,585,228**	787,498,473
Cost of Revenue	19	**(398,539,503)**	(451,074,504)
Gross profit		**99,045,725**	336,423,969
Selling and marketing expenses	20	**(11,066,052)**	(42,422,004)
General and administrative expenses	21	**(36,552,884)**	(29,550,105)
Profit from continuing main operations		**51,426,789**	264,451,860
Finance expenses	22	**(21,251,892)**	(31,573,121)
Other income, net	23	**326,890**	1,213,152
Profit before zakat		**30,501,787**	234,091,891
Zakat	17	**(5,300,925)**	(8,746,156)
Net Profit		**25,200,862**	225,345,735
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of employees defined benefits obligation	13	**935,160**	(685,459)
Other comprehensive income (loss)		**935,160**	(685,459)
TOTAL COMPREHENSIVE INCOME		**26,136,022**	224,660,276
Earning Per share	26		
Profit from continuing main operations		**1.03**	5.29
Net Profit		**0.50**	4.51
Total comprehensive income		**0.52**	4.49

Financial Manager   Chief Executive Officer   Chairman of Board of Directors

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

CONSOILDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	Notes	**Share Capital**	**Statutory Reserve**	**Retained Earnings**	**Total**
Balance as at January 1,2019	1	250,000,000	75,000,000	114,321,482	439,321,482
Share capital increase		250,000,000	(75,000,000)	(175,000,000)	-
Net profit		-	-	225,345,735	225,345,735
Other comprehensive loss		-	-	(685,459)	(685,459)
Transfer to statutory reserve	12	-	22,466,028	(22,466,028)	-
Dividends	24	-	-	(139,700,801)	(139,700,801)
Balance as at December 31, 2019		500,000,000	22,466,028	1,814,929	524,280,957
Net profit		-	-	**25,200,862**	**25,200,862**
Other comprehensive income		-	-	**935,160**	**935,160**
Transfer to statutory reserve	12	-	**2,613,602**	**(2,613,602)**	-
Dividends	24	-	-	**(24,000,000)**	**(24,000,000)**
Balance as at December 31, 2020		**500,000,000**	**25,079,630**	**1,337,349**	**526,416,979**

Financial Manager | Chief Executive Officer | Chairman of Board of Directors

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMNT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	2020	2019
Cash flow from operating activities		
Profit before Zakat	**30,501,787**	234,091,891
Adjustment:		
Depreciation	**25,698,366**	24,365,205
Impairment of inventory	-	553,973
Impairment of trade receivables	**8,000,000**	3,483,264
Amortization of Right of use	**340,996,647**	374,414,718
Loss from disposal of property and equipment	**612,719**	752,731
Employees defined benefits obligation	**2,373,125**	1,301,983
Finance expenses	**21,251,892**	31,573,121
Changes in operating assets and liability:		
Trade receivables	**14,377,856**	(73,292,492)
Inventories	**(2,636,887)**	(562,226)
Due from /to related parties	**3,886,567**	(1,582,877)
Prepayments and other debit balances	**(50,371,325)**	(14,250,747)
Suppliers	**4,571,553**	639,715
Accrued expenses and other credit balances	**(42,336,336)**	(44,931,784)
Cash flows from operating activities	**356,925,964**	536,556,475
Employee defined benefits obligation Paid	**(1,058,770)**	(714,259)
Zakat Paid	**(7,212,538)**	(9,136,166)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**348,654,656**	526,706,050
CASH FLOW FROM INVESTING ACTIVITIES		
Property and equipment additions	**(57,987,466)**	(44,531,494)
Proceeds from disposal of property and equipment	**1,234,552**	669,307
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(56,752,914)**	(43,862,187)
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term bank loans	**(107,672,318)**	100,082,645
Lease liabilities	**(148,774,184)**	(394,086,994)
Finance expenses	**(20,958,500)**	(31,573,121)
Dividends paid	**(24,000,000)**	(139,700,801)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(301,405,002)**	(465,278,271)
Net change in cash and cash equivalents balances	**(9,503,260)**	17,565,592
Cash and cash equivalents as at 1 January	**36,088,563**	18,522,971
CASH AND CASH EQIVALENTS AS AT DECEMBER 31	**26,585,303**	36,088,563
SIGNIFICANT NON - CASH TRANSACTION		
Right of use/ lease liability	**264,367,728**	1,149,488,714
Lease liability	**33,287,889**	6,747,805
Closing Prepayment expenses at the initial date of adapted IFRS 16	**39,773,995**	255,455,192
Transfer defined Employee benefits obligations to related party	**1,405,066**	-
Increase in share capital by Retained Earnings & Statutory Reserve	-	250,000,000

Financial Manager   Chief Executive Officer   Chairman of Board of Directors

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

1. ORGANIZATION AND ACTIVITY

Arabian Contracting Services Company (the "Company") is a Saudi Closed Joint Stock registered in Riyadh, Kingdom of Saudi Arabia on 18 Jumada Alula 1403H (corresponding to 2 March 1983) under Commercial Registration No. 1010048419.

The head office of the company located in Olaya Tower, Riyadh city, social insurance tower Building (B) Floor 33.

The main activities of the company and its branches are in the execution of contracting, construction works, purchase of land for the construction of buildings for the company, establishment and equipping exhibitions, road works, maintenance, mechanical works, building works, import, export and wholesale and retail trade in advertising, promotion, printing materials, supplies and equipment of all kinds.

On 13/03/1441H corresponding to 10/11/2019G, the board of directors of the Arabian Contracting Services decided to increase the capital by 250 million Saudi riyals to become 500 million Saudi riyals, by transferring 75 million Saudi riyals from the statutory reserve and transferring 175 million riyals Saudi from the retained earnings to the capital, that proposal was approved by the extraordinary general assembly on 1/4/1441H corresponding to 28/11/2019G, and the commercial registry and articles of association were amended on 25/12/2019G.

On 11/4/1441H corresponding to 8/12/2019G, the board of directors of the Arabian Contracting Services approved the assignment of the shareholders of their shares in the company at book value, in favor of Engineer Holding Group Company owned by the same shareholders.

On 02/09/1441H corresponding to 23/04/2020G, Engineer Abdelellah Abdulrahman Saleh Alkhereji sold 2.5 million shares, representing 5% of the shares of the Arabian Contracting Services Company, to MBC Group Holding Ltd, so that his share after the amendment becomes 25% of the capital, the ownership of the shares was transferred on 04/12/1441H corresponding to 24/07/2020G, and the conditions for closing the sale and transferring the ownership of shares were fulfilled on 28/07/2020G.

The company's capital amounting to Saudi Riyal 500 million is divided into 50 million shares, the value of each share is 10 Saudi Riyals. The shareholders and the percentage of their share as at December 31, 2020 are as follows:

		(Expressed in Saudi Riyal)	
Name	**Percentage**	**Number of Shares**	**Total**
Engineer Holding Group Company	70%	35,000,000	350,000,000
Abdelellah Abdulrahman Saleh Alkhereji	25%	12,500,000	125,000,000
MBC Group Holding LTD	5%	2,500,000	25,000,000
Total	**100%**	**50,000,000**	**500,000,000**

The accompanying consolidated financial statements include the activities of the Company and its branches listed below, which operate under the following sub-trade registers:

Branch	Commercial Registration No	Commercial Registration Source	Date of Registration
Raweyah printing press factory	1010057812	Riyadh	14/05/1405
Branch of Arabian Contracting service company	1010062303	Riyadh	02/07/1406
Arab Eyn Company for Advertising	1010500526	Riyadh	18/04/1440
Arabian Contracting service company	4030058296	Jeddah	12/01/1408
Arab Painting Manufacturing Factory	4030275525	Jeddah	30/01/1435

2. SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTION:

The preparation of the company's consolidated financial statements in accordance with the International Financial Reporting Standards requires management to make estimates and assumptions that may affect the values in the consolidated financial statements, as these values may differ from the previous estimates. It also requires management to exercise its judgmental during the process of implementing the company's accounting policies. The Company's opinions estimate and assumptions, which relate to future causes.

Opinions

Through the process of implementing the company's accounting policies, the management expresses the following opinions that have a material impact on the amounts included in the company's consolidated financial statements.

Estimates and assumptions

The main assumptions that relate to future causes and other major sources of unconfirmed estimates of the history of the consolidated financial position and which have significant risks of adjustments to the carrying amount of the assets and liabilities during the subsequent financial period are as follows:

Impairment of Receivable balances

The process for determining an impairment of trade receivables requires estimates. A decrease in the value of commercial debtors is recognized when there is objective evidence that the company will be unable to collect its debt. Bad debts are written off when identified.

The criteria for determining the amount of the decrease or amount to be written off include aging analyzes, technical assessments and subsequent events. provision and impairment of receivables are subject to management approval.

The decrease in the value of commercial debtors is charged to the statement of comprehensive income or loss and disclosed under general and administrative expenses. Trade receivables when they are uncollectible are eliminated from the provision for impairment in the statement of comprehensive income. When subsequent events cause the decrease in the amount of the trade receivables decrease, the decrease in the value of the trade receivables is reversed through the statement of comprehensive income.

Useful lives of property and equipment

The company determines the estimated useful lives of property, plant and equipment for the purpose of calculating the depreciation. This estimate is determined after considering the expected use of the asset or physical wear and tear agents. The management reviews the residual value and the useful lives annually, and the future depreciation expense is adjusted when the management considers that the useful lives differ from the previous estimates.

Impairment of property and equipment

The company's management assesses the impairment of property and equipment in the event of events or changes in circumstances indicating 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 an asset is expected to be, or will be, bad.

Provisions

Provisions are recognized when the company has it Current or deductive legal obligation based on an event in the past there are likely to be claims to settle that obligation in the future which will result in outflows of resources and the amount of the obligation can be estimated reliably. Provisions are discounted using the current pre-tax discount rate that reflects the time value of money, as appropriate, the risks specific to the liability, when the effect of the time value of money is significant. An increase in the provision due to the passage of time when the discount is used is recognized as part of the financing costs in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTIONS(CONTINUED):

Uncertain Zakat positions
The current Zakat payable of the company relates to the management's assessment of the amount of Zakat due. The final result may differ when issuing the final assessment by the General Authority of Zakat and Income in future periods. Note 17.

Right of use
The company's management has chosen the discount rate based on the average discount rates with which it obtained loans during the year and according to its estimates, and at the end of each financial period the company studies whether there is a decrease in the value of the right to use or not, and in the event that there are events or changes in circumstances that indicate that, the book value may not be recoverable. It includes factors which are considered significant which trigger an impairment review.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards "IFRS" endorsed in the Kingdom of Saudi Arabia and other standards issued and pronouncements by the Saudi Organization for Certified Public Accountants "SOCPA".

Basis of measurement
These consolidated financial statements have been prepared on the historical cost basis, except for employee-defined benefits that are measured at the present value of future liabilities using the expected credit method. In addition, these consolidated financial statements are prepared using the accounting accrual basis and going concern basis.

Display currency and activity
The consolidated financial statements are presented in Saudi riyals, as the functional currency used in preparing the financial reports. All amounts are shown to the nearest Saudi Riyal unless otherwise indicated.

Basis of consolidation
The following steps used when preparing the consolidated financial statements:
- The book value of the parent company's investment in each subsidiary is excluded, 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 shareholders 'equity of the parent company. Non-controlling interests in the net assets consist of:

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

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

The financial statements of the parent company as well as the financial statements of the subsidiary companies used in preparing the consolidated financial statements are prepared on the same date.
The consolidated financial statements are prepared using uniform accounting policies for like transactions and events 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 of the parent company's shareholders, 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 subsidiary company ("the group") in which it owns more than 50% of the property rights or has control over those subsidiaries for the purposes of preparing these consolidated financial statements. Between the company and these subsidiaries.

The consolidated financial statements of the group as of December 31, 2020 include **Out of Home Company** - a limited liability company in the United Arab Emirates which is a subsidiary company 100% owned by the company with a capital of AED 100,000 - a company in the free zone.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Current versus non-current classification

The Company presents assets and liabilities in the statement of consolidated financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- The asset is expected to be realized within 12 months after the consolidated statement of financial position date, or
- Being in cash or cash equivalent unless it is prohibited to exchange the asset or use it to settle a liability within at least 12 months from the date of the consolidated financial position.

All other assets are classified as non-current.

A liability is current when it is
- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- The liability is expected to be settled within 12 months after the consolidated statement of financial position date
- The absence of an unconditional right to defer the settlement of the obligation for at least 12 months after the date of the consolidated financial position.

The Company classifies all other liabilities as non-current.

Property and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Repair and maintenance costs are recognized in profit or loss as incurred. As for the improvement expenses, they are considered capital expenditures. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.
The estimated life of these assets are as follows:

	Years
Buildings	20
Billboards (Fixed and Motion)	7
Motor Vehicles	4
Furniture and Furniture	10
Equipment and tools	10

Right of use and lease liabilities

The Company has recognized new assets and liabilities for its operating leases of various types of contracts including Company's factories, depot facilities and rental premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Profit or Loss over the lease period so as to produce 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 and the lease term on a straight-line basis.
Assets and liabilities arising from a lease are initially measured on a present value basis. i. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs; and - restoration 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): - fixed payments (including in-substance fixed payments), less any lease incentives receivable; - variable lease payments that are based on an index or a rate; - 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 recognised on a straight-line basis as an expense in the Statement of Profit or Loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Right of use and lease liabilities

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 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 and business disruption required to replace the leased asset.

Inventory

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

Accounts receivable

Accounts 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 in value. Amortized cost is calculated by taking into account 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 statement of comprehensive income. The losses arising from impairment are included in the statement of comprehensive income.

Transactions with related parties

Related parties represent all affiliated, associates, major shareholders, directors and senior management of the Company and include those companies controlled, jointly controlled or influenced by those related parties.

Impairment of assets

The company performs a periodic review of the book value of tangible and intangible assets to ensure that there is any evidence of any loss resulting from an impairment in its value. In the event of such evidence, the recoverable amount of that asset is estimated in order to determine the extent of this loss. In cases where it is not possible to estimate the recoverable amount of that asset, the company estimates the recoverable amount of the cash-generating unit to which that asset belongs.

In cases where the recoverable amount of the asset or cash-generating unit is estimated to be less than its book value, then the book value of that cash-generating asset or unit is reduced to the recoverable amount, and losses of impairment in the value of the asset are recognized immediately in the statement of comprehensive income.

If the impairment loss constraint is subsequently reversed, then the book value of the cash generating unit or unit is increased to the adjusted recoverable amount, and the increased book value does not exceed the book value that was to be determined if it had not been proven Loss of impairment in the value of that cash generating asset or unit in prior years. A reversal of an impairment loss is recognized as revenue in the statement of comprehensive income.

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 significant changes in value.

For the statement cash flows, cash and cash equivalents consist of cash and cash equivalents they are considered an integral part of the Company's cash management.

Employees defined benefits obligation

The end-of-service compensation shall be redeemed in the attached consolidated financial statements in accordance with the requirements of the Saudi labor system, based on the period the employee spent in the service of the company.

The employee benefit cost is determined by defined benefit programs separately for each program using the planned credit unit method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Employees defined benefits obligation

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.

Borrowing costs

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

Loans

This is the category most relevant to the Company. After initial recognition, loans bearing commission are measured at amortized cost using the effective interest rate method. Gains or losses are recognized in the consolidated statement of comprehensive income when the obligations are paid, and also through the amortization of the effective commission rate.

Payables and accrued expenses

The amount of the liability to be paid for goods and services received, whether invoiced to the Company or not, is recognized.

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 the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of value added tax included

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

Zakat

The Company is subject to the regulations of the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is provided on accruals basis. The Zakat charge is computed based on the zakat base or adjusted net income, whichever is higher. Any differences between the provision and the final assessment are recorded when the final assessment is approved, at which time the provision is cleared.

Revenue recognition

The company recognizes revenue in accordance with contracts and according to the principle of accrual when providing service to clients. Other revenue is recognized when earned.
Revenue from contracts with customers is recognized when control over the services provided to the customer is transferred according to the value that reflects the compensation that the company expects to be entitled to in exchange for this transfer.
The company 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 commitment 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 company expects to receive in exchange for transferring the agreed goods or services to the customer, except for the sums collected on behalf of third parties.
Step 4: Assigning the transaction price to the performance obligations in the contract: For a contract period that contains more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that specifies the amount of consideration to which the company will be paid. You expect to be entitled to payment for each performance obligation.
Step 5: recognize of the revenue when the company fulfills the performance obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Discount attribute to customers

The Company provides a discount for some customers when the value of contracts executed during the period exceeds a certain amount in the contract. Discounts are charged against amounts owed by the customer. The Company applies the requirements for the recognition of variable compensation estimates and book the obligation based on future expectation.

Cost of obtaining the contract

The company pays the costs of tenders and technical studies undertaken by third parties in order to obtain the contracts. These costs are capitalized and amortized on a straight-line basis over the contract period, and after the company applies IFRS (16) lease contracts, the value of the depreciation and financing benefits arising from the initial application of the standard is the cost of obtaining the contract.

Contracts expected to be in loss

If the company has a contract that is expected to be in loss, the current obligation is recognized under the contract and measured as a provision. However, before proving a separate provision for a contract that is expected to be in loss, the Company recognizes any impairment losses that occurred in the assets designated for that contract.

Expenses

Selling and distribution expenses consist primarily of the costs incurred to market the Company's activities. Other expenses are classified as general and administrative expenses.

Rentals

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.

The company as a lessee

At the inception of the lease, the finance lease is capitalized on the basis of which substantially all the risks and rewards associated with the acquisition of the leased item are transferred to the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are distributed using the interest rate prevailing between the financial expense and the decrease in the lease obligation to achieve a constant rate of interest on the outstanding balance of the liability. Financial expenses are recognized in comprehensive income.

Leasehold assets are depreciated over the useful life of the asset, but where there is no reasonable assurance that the company will acquire ownership at the end of the lease period, the asset is depreciated over the estimated useful life of the asset or lease period, whichever is shorter.

Operating lease is a lease other than a finance lease. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Foreign currencies

Transactions and balances

Transactions in foreign currency are initially recorded at the functional currency rate at the date on which the transaction is eligible for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rate prevailing at the date of preparation of the consolidated financial statements. All differences arising from adjustments or transactions on monetary items are recognized in the statement of comprehensive income.

Non-monetary items for which the historical cost has been measured in a foreign currency are translated primarily at the rate of the currency prevailing at the date of the transactions. Non-monetary items in foreign currencies for which the fair value is measured in a foreign currency are translated at the exchange rate prevailing at the date when the fair value was determined. Gains or losses arising from translation of non-monetary items that are measured at fair value are treated in accordance with the recognition of the gains and losses resulting from the change in the fair value of that item. That is, translation differences for items whose fair value gains and losses are recognized in the statement of other comprehensive income are recognized in other comprehensive income, and items for which fair value gains and losses are recognized in profit and loss are recognized in the comprehensive income.

4. Application of new and revised IFRSs

4-1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Revised 'Conceptual Framework for Financial Reporting'.
- Amendments to IFRS 3 Business Combinations to clarify the definition of a business.
- Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments regarding pre-replacement issues in the context of the IBOR reform.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the definition of material.
- Amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification

4-2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2023
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous	1 January 2022
Amendments to IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IFRS 16 Leases regarding replacement issues in the context of the IBOR reform	1 January 2021
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

5. PROPERTY AND EQUIPMENT, NET:

	Land	Buildings	Billboards fixed and motion	Motor vehicles	Furniture and fixture	Equipment and tools	Work in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost								
January 1, 2019	-	16,168,556	162,194,094	8,557,684	4,141,370	36,819,732	19,107,880	246,989,316
Additions	-	-	22,238,976	1,385,210	256,882	6,427,600	14,222,826	44,531,494
Transfers	-	716,456	11,962,537	-	-	-	(12,678,993)	-
Disposals	-	-	(33,955,767)	(331,290)	(352,321)	(3,723,587)	-	(38,362,965)
December 31, 2019	-	16,885,012	162,439,840	9,611,604	4,045,931	39,523,745	20,651,713	253,157,845
Additions	**1,358,770**	**679,384**	-	**274,993**	**556,843**	**2,256,700**	**52,860,776**	**57,987,466**
Transfers	-	**208,114**	**41,893,837**	**435,310**	**143,962**	-	**(42,681,223)**	-
Disposals	-	**(658,561)**	**(30,261,468)**	**(910,036)**	**(229,471)**	**(4,297,376)**	**(94,211)**	**(36,451,123)**
December 31, 2020	**1,358,770**	**17,113,949**	**174,072,209**	**9,411,871**	**4,517,265**	**37,483,069**	**30,737,055**	**274,694,188**
Accumulated depreciation								
January 1, 2019	-	8,159,026	98,034,945	7,377,320	2,242,876	25,448,329	-	141,262,496
Charge for the year	-	620,129	19,471,725	947,035	565,302	2,761,014	-	24,365,205
Disposals	-	-	(32,564,428)	(312,062)	(340,850)	(3,723,587)	-	(36,940,927)
December 31, 2019	-	8,779,155	84,942,242	8,012,293	2,467,328	24,485,756	-	128,686,774
Charge for the year	-	**798,283**	**20,408,159**	**826,362**	**636,404**	**3,029,158**	-	**25,698,366**
Disposals	-	**(423,158)**	**(28,818,616)**	**(896,188)**	**(227,479)**	**(4,238,411)**	-	**(34,603,852)**
December 31, 2020	-	**9,154,280**	**76,531,785**	**7,942,467**	**2,876,253**	**23,276,503**	-	**119,781,288**
Net Book Value								
December 31, 2020	**1,358,770**	**7,959,669**	**97,540,424**	**1,469,404**	**1,641,012**	**14,206,566**	**30,737,055**	**154,912,900**
December 31, 2019	-	8,105,857	77,497,598	1,599,311	1,578,603	15,037,989	20,651,713	124,471,071

* Projects under progress are road billboards that are being manufactured and the expected additional value until completion as of December 31, 2020: 16,089,244 Saudi riyals (2019: 3,903,864 Saudi riyals) (note 25).

5. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

Fully depreciated assets costs still in use and stated as follows:

	(Saudi Riyal)	
	2020	2019
Equipment	**6,965,199**	10,734,096
Billboards	**13,725,859**	13,902,539
Motor vehicles	**6,983,044**	5,806,025
Buildings	**3,768,678**	3,777,716
Office equipment and furniture	**208,938**	231,491
	31,651,718	34,451,867

Distribution of depreciation on expenses:

	(Saudi Riyal)	
	2020	2019
Cost of revenue *(Note 19)*	**24,657,981**	23,603,135
General and administrative expenses *(N*ote 21)	**1,040,385**	762,070
	25,698,366	24,365,205

Losses arising from disposal of fixed assets:

	(Saudi Riyal)	
	2020	2019
Cost of disposed assets excluded	**36,451,123**	38,362,965
Accumelated depreciation	**(34,603,852)**	(36,940,927)
Net book value	**1,847,271**	1,422,038
Proceeds from disposal	**1,234,552**	669,307
Work in progress charged to general and administrative expenses	**94,211**	-
Loss from disposal *(Note 23)*	**(518,508)**	(752,731)

6. RIGHT OF USE:

The rights of use assets have been measured at an amount equal to the lease obligations, and adjusted for the amounts of prepayments and lease payments due related to those lease contracts recognized in the consolidated statement of financial position.

According to the events resulting from the (COVID-19) virus, during the period, amendments were made to some contracts, 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 financial position and comprehensive income.

6. RIGHT OF USE (CONTINUED):

	(Saudi Riyal)	
	2020	2019
Right of use		
Balance at the initial adoption	-	1,113,285,660
Blance as of 1 January	**1,149,488,714**	-
Adjustments	**(4,066,725)**	-
Additions during the year	**264,367,728**	36,203,054
	1,409,789,717	1,149,488,714
Right of use accumulated amortization		
Balance as of 1 January	**(374,414,718)**	-
Adjustments	**11,382,913**	-
Amortization	**(352,379,560)**	(374,414,718)
Balance at the end of the year	**(715,411,365)**	(374,414,718)
Net Right of use	**694,378,352**	775,073,996
Lease liabilities		
Balance at the initial adoption	-	1,113,285,660
Balance as of 1 January	**493,198,724**	-
Adjustments	**(4,066,725)**	-
Finance expenses adjustment	**(154,144)**	-
Accrued rent adjustment	**304,541**	-
Additions during the year	**264,367,728**	36,203,054
	753,650,124	1,149,488,714
Deduct / added:		
Close prepaid expenses on initial adoption	-	(255,455,192)
Close prepaid expenses	**(39,773,995)**	-
Payments during the year	**(162,791,355)**	(417,558,475)
Finance expenses (Note 22)	**14,171,315**	23,471,481
Amortization of accrued	**(33,592,430)**	(6,747,804)
The balance at the end of the year	**531,663,659**	493,198,724
Current portion	**215,408,520**	176,965,264
Non-current portion	**316,255,139**	316,233,460
	531,663,659	493,198,724

Distribution of amortization over the expenses:

	(Saudi Riyal)	
	2020	2019
Cost of revenue (Note 19)	**338,948,687**	371,971,542
Selling and marketing expenses (Note 20)	**388,521**	305,998
General and administrative expenses (Note 21)	**1,659,439**	2,137,178
	340,996,647	374,414,718

7. INVENTORY, NET:

	(Saudi Riyal)	
	2020	2019
Paper and other materials	**14,167,284**	13,454,376
Spare parts not for sake purpose	**3,020,514**	1,096,535
	17,187,798	14,550,911
Impairment of inventory	**(1,561,060)**	(1,561,060)
	15,626,738	12,989,851

The movement of impairment of inventory during the year ended December 31 is as follows:

	(Saudi Riyal)	
	2020	2019
Balance as of January 1,	**1,561,060**	1,007,087
Impairment charged for the year	-	553,973
Balance as of December 31,	**1,561,060**	1,561,060

8. TRADE RECEIVABLES, NET:

	(Saudi Riyal)	
	2020	2019
Trade receivables	**342,560,770**	359,486,780
Trade receivables (Related Parties, note 9)	**4,159,124**	-
Impairment of trade receivables	**(13,283,264)**	(5,283,264)
	333,436,630	354,203,516
Notes Receivable	**2,081,880**	3,692,850
	335,518,510	357,896,366

The movement in the impairment of trade receivables during the year ended December 31:

	(Saudi Riyal)	
	2020	2020
Balance as at January 1,	5,283,264	1,800,000
Addition	**8,000,000**	3,483,264
Balance as of December 31,	**13,283,264**	5,283,264

The aging schedule of trade receivables as at December 31 is as follows:

		Overdue balances without impairment				
	Less than 30 days SR	**From 31 days to 90 days SR**	**From 91 days to 180 days SR**	**From 181days to 365 days SR**	**More than 365 days SR**	**Total SR**
2020	**176,008,424**	**89,083,600**	**23,748,149**	**22,513,254**	**22,083,203**	**333,436,630**
2019	188,585,808	81,474,614	34,436,469	29,093,130	20,613,495	354,203,516

The credit period granted to customers ranges from 30 to 90 days and no commissions are charged to these accounts, The Company makes impairment of trade receivables taking into consideration several factors including the age of the receivables and the consolidated financial position of the customers where available, Concentrations of credit risk are limited because the customer base is large and the customer is not linked, no clients account for more than 10% of the total balance of trade receivables.

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

During the year, the Company has entered into transactions with the related parties described below. The terms of these transactions and expenses have been approved by the Company's management and are similar to normal course of business transaction of the company. The transactions registered below were carried out with the following entities:

Name of Institution	**Nature of Relationship**
Engineer Holding Company	Shareholder
MBC holding limited group	Shareholder
House of skill for Contracting	Affiliate
Advanced Digital Systems Company	Affiliate
National Signage Industrial Company	Affiliate
Elegant hotel company	Affiliate
Al Mizah company	Affiliate
Multaqa Al Zad For tourism Co.	Affiliate
Saudi Media company	Affiliate
Elegant restaurant company	Affiliate

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED):

		(Saudi Riyal)	
Related party	**Nature of transaction**	**2020**	2019
Engineer Holding Company	Dividend	**24,000,000**	-
Engineer Holding Company	Transferred E.O.S	**1,405,066**	-
National Signage Industrial Company	Advances to contractor	**9,296,416**	-
National Signage Industrial Company	Billboard payments	**5,291,633**	-
MBC holding limited group	Sales	**2,832,942**	-
Multaqa Al Zad For tourism Co.	Sales	**670,929**	-
National Signage Industrial Company	Sales	**313,970**	-
Elegant hotel company	Sales	**309,374**	-
Elegant restaurants company	Sales	**75,879**	-
Multaqa Al Zad For tourism Co.	Collections	**72,728**	-
Saudi Media company	Sales	**60,559**	-
Elegant restaurants company	Collections	**42,349**	-
House of skill for Contracting	Advances to contractor	**36,230**	-
Elegant hotel company	Collections	**9,148**	-
House of skill for Contracting	Fund Transfers	-	2,200,000
House of skill for Contracting	Expenses	-	2,710,000
House of skill for Contracting	Expenses	-	1,650,236
House of skill for Contracting / Abdul Al Ellah Al Kherajy	Real Estate rent	-	445,000
National Signage Industrial Company	Fund Transfers	-	4,240,000
National Signage Industrial Company	Salaries and other benefits	-	1,051,633
Elegant hotel company	Fund Transfers	-	101,231,240
Elegant hotel company	Expenses	-	3,053,750
Engineer Holding Company	Fund Transfers	-	200,000
Engineer Holding Company	Sales and cash transfers	-	1,111,012
Saudi Media company	Fund Transfers	-	3,283,793
Saudi Media company	Sales and cash transfers	-	12,298,714
Advanced Digital Systems Company	Expenses	-	368,947
Al Miza Company	Sales and cash transfers	-	45,565,491

The following is a list of compensation for key management employees incurred during the year ended December 31:

	(Saudi Riyal)	
	2020	2019
Short-term benefits	**4,997,876**	18,817,660
Employees defined benifits obligation (The ending Blance)	**3,780,087**	4,639,537
	8,777,963	23,457,197

The movement in the defined employee benefits in the year ended December 31as follows:

	(Saudi Riyal)	
	2020	2020
Balance as at January 1,	**4,639,537**	3,857,995
Addition	**545,616**	781,542
Transferred to related parties	**(1,405,066)**	-
Balance as of December 31,	**3,780,087**	4,639,537

Key management include members of the board of directors, chief executive officer, chief financial officer and executives as persons who have the authority and responsibility to plan, direct and control the company's activities.

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED):

The amounts due from related parties is as follows:

	(Saudi Riyal)	
	2020	2019
Engineer Holding Group Company	**18,736,610**	18,736,610
National Signage Industrial Company	-	5,291,633
	18,736,610	24,028,243

Trade Receivables (Related Parties, Note 8)

	(Saudi Riyal)	
	2020	2019
House of skill for Contracting	**10,351**	-
MBC holding limited group	**2,832,942**	-
National Signage Industrial Company	**313,970**	-
Elegant restaurants company	**42,875**	-
Multaka Al Zad Company for tourim	**598,201**	-
Saudi Media company	**60,559**	-
Elegant hotel company	**300,226**	-
	4,159,124	-

Advances to suppliers (Related Parties, Note 10)

	(Saudi Riyal)	
	2020	2019
National Signage Industrial Company	**9,296,416**	-
House of skill for Contracting	**28,685**	-
	9,325,101	-

No interest is charged to the outstanding balance for the related parties.

10. PREPAYMENTS AND OTHER DEBIT BALANCES:

	(Saudi Riyal)	
	2020	2019
Prepaid rent locations of billboards	**33,441,893**	44,472,195
Prepaid expenses and other debit balances	**16,261,675**	6,173,883
Advances to suppliers	**6,181,887**	3,442,020
Advances to suppliers (Related Parties note 9)	**9,325,101**	-
Cash margin of bank guarantees and letter of credits (Note 25)	**1,674,227**	2,303,227
Employee receivable	**1,920,060**	2,122,948
Others	**306,759**	-
	69,111,602	58,514,273

* Lease payments include contracts that have not started yet and the company committed for these contracts.

11. CASH AND CASH EQUIVALENTS:

	(Saudi Riyal)	
	2020	2019
Cash at banks	**25,887,201**	35,559,992
Cash on hand	**698,102**	528,571
	26,585,303	36,088,563

12. STATUTORY RESERVE

In accordance with the requirements of the Saudi Companies Regulations, the Company establishes a statutory reserve of 10% of net profit until this reserve reaches 30% of the capital, this reserve is not available for distribution as dividends. This legal reserve has been used in capital share increase for the company as shown in note (1).

13. EMPLOYEE DEFINED BENEFITS OBLIGATION

	(Saudi Riyal)	
	2020	2019
Balance as at 1 January	**13,412,491**	12,139,308
Current services cost	**2,373,125**	780,461
Interest expense	**293,392**	521,522
Re-measurement charged into other comprehensive income	**(935,160)**	685,459
Paid	**(1,058,770)**	(714,259)
Transferred to related parties	**(1,405,066)**	-
Balance as at December 31,	**12,680,012**	13,412,491

Key actuarial assumptions:

	(Saudi Riyal)	
	2020	2019
User discount rate	**2.45%**	3.88%
Salary increase rate	**1.50%**	3.01%
Employee turnover	**Average**	Average

The sensitivity analysis of the main actuarial assumptions is analyzed below:

	(Saudi Riyal)	
	2020	2019
Discount Rate 1% (+/-)		
Increase	**10,247,239**	13,267,380
Decrease	**14,136,025**	13,557,602
Expected salary increase ratio 1% (+/-)		
Increase	**14,134,846**	2,563,364
Decrease	**10,271,320**	2,470,590

14. SHORT-TERM LOANS

The Company have obtained bank facilities represented in short-term loans and letters of guarantee from local commercial banks amounting to SR 615 million, the utilized portion of these loans amounted to SR 131,795,115 as at (2019: 239,467,433). These loans are subject to interest rates prevailing in Saudi banks plus an agreed profit margin.

The carrying amount of short-term loans is denominated in Saudi riyals and is secured by personal guarantees from one of the shareholders of the company, A promissory note of SR 615 million is payable upon request.

The agreements include several bank covenants related to financial ratios and total deposits, some of them were not complied with by the company on December 31, 2020.

15. SUPPLIERS

	(Saudi Riyal)	
	2020	2019
Local suppliers	**3,327,771**	1,142,478
Foreign suppliers	**3,910,567**	1,524,307
	7,238,338	2,666,785

16. ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	(Saudi Riyal)	
	2020	2019
Discounts due to customers	**31,221,410**	34,797,316
Rents of secured contracts	**44,134,426**	30,734,619
Accrued commissions	**2,212,277**	19,847,080
Oter credit balances	**7,385,897**	15,291,242
Unearned revenue	**1,739,520**	2,308,201
VAT	**9,935,737**	2,212,455
Advances payments from customers	**1,271,320**	1,938,517
Other	**312,642**	132,247
	98,213,229	107,261,677

17. ZAKAT:

The main elements of Zakat are as follows:

	(Saudi Riyal)	
	2020	2019
Equity capital	**500,000,000**	500,000,000
Net adjusted income	**44,511,082**	235,188,426
Property, equipment and projects in progress and other spare parts	**(852,025,425)**	(123,695,099)
Provisions, reserves and others	**582,867,943**	14,260,276

The movement for Zakat for the year ended December 31 is as follows:

	(Saudi Riyal)	
	2020	2019
Balance on 1 January	**8,774,296**	9,164,306
Charged for the year	**5,300,925**	8,746,156
Paid during the year	**(7,212,538)**	(9,136,166)
Balance at 31 December	**6,862,683**	8,774,296

The company submitted its zakat return until the fiscal year ending on 31/12/2019 and obtained a certificate from the General Authority for Zakat and Income.

On 9/28/2020, the company received zakat assessments for the fiscal year 2018 AD, with total zakat differences amounting to (3,465,252.59 Saudi riyals). The company escalates the objection to the General Secretariat of the Tax Committees. The application was submitted on February 15, 2021.

18. Revenue:

	(Saudi Riyal)	
	2020	2019
Outdoor advertisements	**471,911,554**	762,276,741
Indoor advertisements	**11,824,629**	10,132,939
Printing	**13,849,045**	15,088,793
	497,585,228	787,498,473

The revenue is as follows:

	(Saudi Riyal)	
	2020	2019
Advertisement inside the Kingdom of Saudi Arabia	**497,585,228**	783,553,096
Advertisements outside the Kingdom of Saudi Arabia	**-**	3,945,377
	497,585,228	787,498,473

19. COST OF REVENUES

	(Saudi Riyal)	
	2020	2019
Amortization of right of use (Note 6)	**338,948,687**	371,971,542
Cost of raw materials and others	**23,739,796**	28,319,451
Depreciation (Note 5)	**24,657,981**	23,603,135
Salaries, wages and other benefits	**11,188,539**	12,410,454
Impairment of inventory	**-**	553,973
Other	**4,500**	14,215,949
	398,539,503	451,074,504

20. SELLING AND MARKETING EXPENSES:

	(Saudi Riyal)	
	2020	2019
Salaries, wages and other benefits	**8,223,543**	9,869,990
Amortization of right of use (Note 6)	**388,521**	305,998
Sales and distribution commission	**236,284**	24,216,808
Others	**2,217,704**	8,029,208
	11,066,052	42,422,004

21. GENERAL AND ADMINISTRATIVE EXPENSES

	(Saudi Riyal)	
	2020	2019
Salaries, wages and other benefits	**19,618,703**	16,318,376
Impairment of trade receivables (Note 8)	**8,000,000**	3,483,264
Donations	**1,847,670**	1,620,629
Amortization of right of use (Note 6)	**1,659,439**	2,137,178
Depreciation (note 5)	**1,040,385**	762,070
Insurance of assets	**644,137**	619,667
Professional fees	**407,800**	1,063,009
Repair and maintenance	**248,440**	459,081
Electricity and water	**168,696**	150,145
Others	**2,917,614**	2,936,686
	36,552,884	29,550,105

22. FINANCING EXPENSES:

	(Saudi Riyal)	
	2020	2019
Finance expenses resulting from lease liabilities (Note 6)	**14,017,171**	23,471,481
Financing expenses arising from short term loans	**6,941,329**	7,580,118
Financing expenses arising from the calculation of employee defined benefit obligations	**293,392**	521,522
	21,251,892	31,573,121

23. OTHER INCOME, NET:

	(Saudi Riyal)	
	2020	2019
Loss on sale of property and equipment (note 5)	**(518,508)**	(752,731)
Other income	**845,398**	1,965,883
	326,890	1,213,152

24. DIVIDENDS:

The Board of Directors recommended a dividend by amount of SAR 24,000,000 during the year ended 31 December 2020, (2019: SAR 139,700,801), Dividends are subject to the approval of the General Assembly of Shareholders.

25. COMMITMENTS AND CONTINGENT LIABILITIES:

As of December 31, the Company has the following contingent liabilities as follows:

	(Saudi Riyal)	
	2020	2019
Letters of Guarantee *	**155,708,100**	137,261,949
Letters of credit	**6,297,316**	14,871,349

* Letters of guarantee and letter of credit are secured against cash margin deposits with banks as at 31 December 2020 amounting to SR1,674,227 (2019: SR 2,303,227) (Note 10).

* The projects in progress are road billboards that are being manufactured and the expected value for completion as at December 31, 2020 is: SR 16,089,244Saudi Riyals (2019: SR 3,903,864 Saudi Riyals). (Note 5).

26. EARNING PER SHARE:

Earnings per share from continuing main operations, net profit, total comprehensive income for the year ended December 31, 2020 and 2019 were calculated by dividing the profit from business and net profit for the year by the number of shares outstanding 2020. The number of shares outstanding as of December 31, 2020: 50 million shares 2019: 50 million shares.

27. FINANCIAL INSTRUMENTS:

Financial instruments included in the consolidated statement of financial position include mainly cash, bank balances, trade receivables and other debit balances, payables, certain outstanding liabilities, other credit balances and short-term bank loans.

FAIR VALUE

Fair value is the amount at which an asset is exchanged, or a liability settled between knowledgeable and willing parties on fair terms. As the financial instruments of the Company are recognized in accordance with the historical cost convention, there are differences between carrying amounts and fair value estimates, Management believes that the fair values of the Company's assets and liabilities are not materially different from their carrying values.

RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company's activities expose it to credit risk, liquidity risk and market price risk.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on contract assets, trade receivables and bank balances as follows:

	(Saudi Riyal)	
	2020	2019
Trade receivables, net	**335,518,510**	357,896,366
Due from related parties	**18,736,610**	24,028,243
Other debit balances	**20,162,721**	4,426,175
Cash and cash equivalent	**26,585,303**	36,088,563
	401,003,144	422,439,347

The carrying amount of financial assets represents the maximum exposure to credit risk.
The Company manages credit risk in respect of contracts, trade receivables and cash and cash equivalents by monitoring them in accordance with specific policies and procedures. The Company seeks to reduce credit risk with respect to customers by setting credit limits for each customer and monitoring receivables that are not continuously collected.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in collecting funds to meet the obligations in respect of financial instruments, Liquidity risk may result from the inability to sell a financial asset quickly at approximately its fair value. The contractual receivable at the end of the reporting period for financial liabilities are as follows:

	(Saudi Riyal)		
	Book value	**Less than one year**	**More than a year**
As of December 31, 2020			
Financial obligations			
Lease obligations	**531,663,659**	**215,408,520**	**316,255,139**
Short-term loans	**131,795,115**	**131,795,115**	-
Suppliers	**7,238,338**	**7,238,338**	-
Other credit balances	**33,746,329**	**33,746,329**	-
Zakat provision	**6,862,683**	**6,862,683**	-
	711,306,124	**395,050,985**	**316,255,139**
As of December 31, 2019			
Financial obligations			
Lease obligations	493,198,724	176,965,264	316,233,460
Short-term loans	239,467,433	239,467,433	-
Suppliers	2,666,785	2,666,785	-
Other credit balances	54,741,462	54,741,462	-
Zakat provision	8,774,296	8,774,296	-
	798,848,700	482,615,240	316,233,460

Liquidity risk is managed by monitoring on a regular basis and ensuring that adequate funds, banking facilities and other credit facilities are available to meet future liabilities of the Company.

27. FINANCIAL INSTRUMENTS (CONTINUED):

MARKET PRICE RISK

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates, which affect the Company's income or the value of financial assets. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while improving returns.

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities in a currency differ from the presentation currency of the company, The Company's exposure to foreign exchange risk is primarily limited to transactions in US dollars and management believes that its exposure to currency risks linked to the US dollar is limited, Exchange rate fluctuation is constantly monitored against other currencies.

INTEREST RATE RISK

Interest rate risk is the exposure associated with the impact of fluctuations in interest rates on the Company's financial position and cash flows. Management monitors changes in interest rates and uses interest rate swaps to manage interest rate risk that exceeds certain limits.

28. OPERATING SECTORS:

The sector is a separate and distinct part of the company that engages in business activities that result in revenue earning or incurring expenses. The operating sectors are disclosed on the basis of internal reports that are reviewed by the main operational decision maker and is the person responsible for allocating resources, assessing performance, and making strategic decisions about operational sectors. The operating sectors in which similar economic features and similar products, services and customer groups emerge are grouped and recorded where possible as reported sectors.

The company has one operating sector represented in the subsidiaries of advertising services in the Kingdom of Saudi Arabia and abroad.

29. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements were approved by the Board of Directors on Rajab 16, 1442 H, corresponding to February 28, 2021.