

**ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

Arabian Contracting Services Company
(Closed Joint Stock Company)

Interim condensed consolidated financial statements (unaudited)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Shareholders

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabian Contracting Services Company (“the Company”) and its subsidiary (together “the Group”) as at March 31, 2021 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards 34 “Interim Financial Reporting” (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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’ that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 that are 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

BAKER TILLY MKM & CO.

Certified Public Accountants

Ayad Obeyan Alseraihi

License No. 405

Riyadh on Shawal 5, 1442 H

Corresponding to May 17, 2021 G



ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property and equipment	5	157,345,933	154,912,900
Right of use	6	737,216,970	694,378,352
Total non-current assets		894,562,903	849,291,252
Current assets			
Inventory		16,411,981	15,626,738
Trade receivables	7	318,170,928	335,518,510
Due from related parties	8	18,119,390	18,736,610
Prepaid expenses and other debit balances		84,614,615	69,111,602
Cash and cash equivalents		28,710,708	26,585,303
Total current assets		466,027,622	465,578,763
TOTAL ASSETS		1,360,590,525	1,314,870,015
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	1	500,000,000	500,000,000
Statutory reserve		25,079,630	25,079,630
Retained earnings		30,961,957	1,337,349
Total equity		556,041,587	526,416,979
<u>LIABILITIES</u>			
Non-current liabilities			
Employees defined benefits obligation		13,010,001	12,680,012
Lease liabilities	6	296,575,890	316,255,139
Total non-current liabilities		309,585,891	328,935,151
Current liabilities			
Lease liabilities - current portion	6	209,382,398	215,408,520
Short-term loans	9	184,059,702	131,795,115
Accounts payables		3,545,701	7,238,338
Accrued expenses and other credit balances	10	96,682,941	98,213,229
Zakat Provision	11	1,292,305	6,862,683
Total current liabilities		494,963,047	459,517,885
Total liabilities		804,548,938	788,453,036
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,360,590,525	1,314,870,015

Financial Manager

Chief Executive Officer

Chairman of Board of Directors

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	Three-month period ended March 31,	
		2021	2020
Revenue	12	148,580,311	181,461,210
Cost of Revenue	13	(98,457,951)	(94,294,335)
Gross profit		50,122,360	87,166,875
Selling and marketing expenses		(5,474,599)	(2,641,718)
General and administrative expenses		(7,997,291)	(8,405,565)
Operating profit		36,650,470	76,119,592
Finance cost		(5,994,813)	(6,565,419)
Other income		261,256	(27,759)
Net profit before zakat		30,916,913	69,526,414
Zakat	11	(1,292,305)	(963,317)
Net profit		29,624,608	68,563,097
Other comprehensive income		-	-
Total Comprehensive Income		29,624,608	68,563,097
<u>Earnings per share from:</u>	15		
Net profit		0.59	1.37

Financial Manager

Chief Executive Officer

Chairman of Board of Directors

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ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Notes	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance as at January 01, 2021 (Audited)		500,000,000	25,079,630	1,337,349	526,416,979
Comprehensive Income		-	-	29,624,608	29,624,608
Balance as at March 31, 2021 (Un-Audited)		500,000,000	25,079,630	30,961,957	556,041,587
Balance as at January 01, 2020 (Audited)		500,000,000	22,466,028	1,814,929	524,280,957
Comprehensive income		-	-	68,563,097	68,563,097
Interim dividends	14	-	-	(24,000,000)	(24,000,000)
Balance as at March 31, 2020 (Un-Audited)		500,000,000	22,466,028	46,378,026	568,844,054

Financial Manager

Chief Executive Officer

Chairman of Board of Directors

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	<u>March 31,</u> <u>2021</u>	<u>March 31,</u> <u>2020</u>
Cash flow from operating activities		
Net profit before Zakat	30,916,913	69,526,414
<u>Adjustment:</u>		
Depreciation	6,675,540	6,491,761
Amortization of Right of use	83,773,793	79,461,887
Losses from disposal of property and equipment	10,509	97,367
Defined employees' benefits obligation	424,622	831,744
Finance expenses	5,994,813	6,565,419
Changes in operating assets and liability:		
Trade receivables	17,347,582	(41,655,366)
Inventories	(785,243)	302,952
Due from related parties	617,220	(5,769,282)
Prepaid expenses and other debit balances	(15,648,692)	(7,353,712)
Accounts payables	(3,692,637)	3,417,190
Accrued expenses and other credit balances	(10,634,120)	88,668,605
Cash flows from operating activities	115,000,300	200,584,979
Employee defined benefits obligation Paid	(94,633)	(21,463)
Zakat Paid	(6,862,683)	-
Net cash flows from operating activities	108,042,984	200,563,516
Cash flow from investing activities		
Property and equipment additions	(9,133,663)	(17,036,049)
Proceeds from disposal of property and equipment	14,581	58,966
Net cash flows used in investing activities	(9,119,082)	(16,977,083)
Cash flow from financing activities		
Short-term loans	52,264,587	(35,403,125)
lease liabilities	(143,068,271)	(131,685,481)
Finance expenses	(5,994,813)	(6,565,419)
Interim dividends paid	-	(24,000,000)
Net cash flows used in financing activities	(96,798,497)	(65,968,544)
Net change in cash and cash equivalents balances	2,125,405	(14,067,592)
Cash and cash equivalents as at 1 January,	26,585,303	36,088,563
CASH AND CASH EQUIVALENTS AS AT SEPTEMBER 30,	28,710,708	22,020,971
<u>SIGNIFICANT NON - CASH TRANSACTION</u>		
Right of use/ lease liability	77,418,250	94,630,678
Amortization for lease liability at the in accrued expenses	(9,103,832)	(41,762,926)
Closing Prepayment expenses in the lease liability	(145,679)	(7,450,386)
Transfer of employee benefits obligation to related party	-	(1,404,963)

Financial Manager

Chief Executive Officer

Chairman of Board of Directors

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

1. ORGANIZATION AND ACTIVITY:

Arabian Contracting Services Company (the "Company") is a Saudi Closed Joint Stock Company 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 02/09/1441H corresponding to 23/04/2020G, Engineer Abdelillah 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 March 31, 2021 are as follows:

Name	Percentage	(Expressed in Saudi Riyal)	
		Number of Shares	Total
Engineer Holding Group Company	70%	35,000,000	350,000,000
Abdelillah 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

2. BASIS OF PREPARATION:

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed by the Saudi Organization for Chartered and professional Accountants ("SOCPA").

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020. In spite of this, selected explanatory notes have been included to explain the events and transactions that are significant for understanding the changes in the group's financial position and performance since the last annual financial statements. In addition, the results for the initial period, are not necessarily indicative of the results that can be expected for the fiscal year ending December 31, 2021.

The accounting policies and calculation methods applied in preparing the interim condensed consolidated financial statements are consistent with those used in preparing the consolidated financial statements of the Group at the end of the year.

Presentation and functional currency

These condensed consolidated interim financial statements are presented in Saudi Riyals, which represents the Company's functional currency.

3. SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTIONS:

The preparation of the interim condensed consolidated financial statements of the Company in accordance with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect the values included in the interim condensed consolidated financial statements, as these values may differ from previous estimates. It also requires management to exercise its judgments during the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis.

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

4. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS:

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

	(Expressed in Saudi Riyal)	
	March 31, 2021	December 31, 2020
<u>Cost:</u>		
Balance at the beginning of the period	274,694,188	253,157,845
Addition	9,133,663	57,987,466
Disposal	(3,106,115)	(36,451,123)
Balance at the ended of the period	280,721,736	274,694,188
<u>Accumulated Depreciation:</u>		
Balance at the beginning of the period	119,781,288	128,686,774
Addition	6,675,540	25,698,366
Disposal	(3,081,025)	(34,603,852)
Balance at the ended of the period	123,375,803	119,781,288
Net Book Value	157,345,933	154,912,900

* The property and equipment, as at March 31, 2021, includes an amount of 29 million SR (December 31, 2020: 30.7 million SR) represented in projects under construction, which are road billboards that are being manufactured and the additional value is expected until completion as at March 31, 2021, an amount of SR 15,28 million (December 31, 2020: SAR 16.73 Million SR).

Distribution of depreciation on expenses:

	(Expressed in Saudi Riyal)	
	March 31, 2021	March 31, 2020
Cost of revenue (Note 13)	6,422,758	6,314,695
General and administrative expenses	252,782	177,066
	6,675,540	6,491,761

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 consolidated financial position and comprehensive income.

	(Expressed in Saudi Riyal)	
	March 31, 2021	December 31, 2020
<u>Right to use</u>		
Balance at as January 01,	1,409,789,717	1,149,488,714
Adjustment	49,194,161	(4,066,725)
Additions during the period	77,418,250	264,367,728
	<u>1,536,402,128</u>	<u>1,409,789,717</u>
<u>Amortization</u>		
Opening Balance at as January 01,	(715,411,365)	(374,414,718)
Adjustment	16,194,324	11,382,913
Amortization	(99,968,117)	(352,379,560)
	<u>(799,185,158)</u>	<u>(715,411,365)</u>
Balance at the end of the period	<u>737,216,970</u>	<u>694,378,352</u>
<u>Lease liabilities</u>		
Balance at as January 01,	531,663,659	493,198,724
Adjustment	49,194,161	(4,066,725)
Adjustment of financing interest	510,234	(154,144)
Adjustment of accrued rents	6,767,571	304,541
Additions during the period	77,418,250	264,367,728
	<u>665,553,875</u>	<u>753,650,124</u>
<u>Deduct / added:</u>		
Close prepaid expenses on initial implimentation	(145,679)	(39,773,995)
Payments during the period / year	(147,432,227)	(162,791,355)
Finance expenses	3,853,722	14,171,315
Amortization of accrued expenses	(15,871,403)	(33,592,430)
The balance at the end of the period / year	<u>505,958,288</u>	<u>531,663,659</u>
Current portion	209,382,398	215,408,520
Non-current portion	296,575,890	316,255,139
	<u>505,958,288</u>	<u>531,663,659</u>

Distribution of amortization over the expenses:

	(Expressed in Saudi Riyal)	
	March 31, 2021	March 31, 2020
Cost of revenue (Note 13)	83,306,876	79,399,945
Selling and marketing expenses	52,057	64,942
General and administrative expenses	414,860	-
	<u>83,773,793</u>	<u>79,461,887</u>

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

7. TRADE RECEIVABLES:

	(Expressed in Saudi Riyal)	
	March 31, 2021	December 31, 2020
Trade receivables	318,154,173	342,560,770
Trade receivables (related parties Note 8)	12,018,139	4,159,124
Impairment of trade receivables	(13,283,264)	(13,283,264)
	316,889,048	333,436,630
Notes Receivable	1,281,880	2,081,880
	318,170,928	335,518,510

The movement in the impairment of trade receivables during the period is as follows:

	(Expressed in Saudi Riyal)	
	March 31, 2021	March 31, 2020
Balance as at January 1,	13,283,264	5,283,264
Impairment charge for the period	-	-
Balance as of March 31,	13,283,264	5,283,264

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

	Overdue balances without impairment						Total SR
	Less than 30 days SR	From 30 days to 90 days SR	From 90 days to 180 days SR	From 180 days to 365 days SR	More than 365 days SR		
March 31, 2021	107,767,176	138,911,054	38,366,503	8,767,381	23,076,934	316,889,048	
December 31, 2020	176,008,424	89,083,600	23,748,149	22,513,254	22,083,203	333,436,630	

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.

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

During the year, the Company has 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:

<u>Name of Institution</u>	<u>Nature of Relationship</u>
Engineer Holding Company	Shareholder
MBC holding limited group	Shareholder
Skill of House for Contracting and Trading Company	Affiliate
Advanced Digital Systems Company	Affiliate
National Signage Industrial Company	Affiliate
Elegant Hotel Company	Affiliate
Al Mizah Company	Affiliate
Skill of House for Maintenance and Operation Company	Affiliate
Multaka Al Zad Company for Tourism	Affiliate
Saudi Media Company	Affiliate

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

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

Related party	Nature of transaction	(Expressed in Saudi Riyal)	
		March 31, 2021	December 31, 2020
National Signage Industrial Company	Advance payment to contractor	9,056,466	9,296,416
MBC holding limited group	Sales	7,132,853	2,832,942
National Signage Industrial Company	Billboard payments	5,704,988	5,291,633
National Signage Industrial Company	Sales	141,232	313,970
Elegant hotel Company	Sales	8,750	309,374
Multaqa Al Zad For tourism Co.	Sales	8,367	670,929
House of skill for Contracting	Advance payment to contractor	6,633	36,230
Engineer Holding Company	Dividend	-	24,000,000
Engineer Holding Company	Transferred E.O.S Indemnity	-	1,405,066
Elegant hotel 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
Elegant Hotel Company	Collections	-	9,148

*All transactions with the related parties will be approved by the next general assembly of the company.

Compensation of key management personnel incurred during the period amounted to:

	(Expressed in Saudi Riyal)	
	March 31, 2021	March 31, 2020
Employees benefits obligation	2,039,274	5,638,931

Key management includes 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.

The amounts due from related parties is as follows:

	(Expressed in Saudi Riyal)	
	March 31, 2021	December 31, 2020
Engineer Holding Group Company	18,119,390	18,736,610
	18,119,390	18,736,610

Trade Receivables (Related Parties, Note 7)

	(Saudi Riyal)	
	March 31, 2021	December 31, 2020
MBC Holding limited Group	9,965,795	2,832,942
Saudi Media Company	670,615	60,559
Multaqa Al Zad Company for Tourism	606,568	598,201
National Signage Industrial Company	455,202	313,970
Elegant Hotel Company	311,851	300,226
House of Skill for Contracting	8,108	10,351
Elegant Restaurants Company	-	42,875
	12,018,139	4,159,124

Advances to suppliers (Related Parties)

	(Saudi Riyal)	
	March 31, 2021	December 31, 2020
National Signage Industrial Company	14,636,618	9,296,416
House of Skill for Contracting	28,685	28,685
	14,665,303	9,325,101

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

9. SHORT-TERM LOANS

The Company obtained banking facilities in the form of short-term loans and letters of guarantee from local commercial banks in the amount of 765 million Saudi riyals, the utilized part of those loans amounted to 184,059,702 Saudi riyals as at March 31, 2021 (December 2020: 131,795,115 Saudi riyals). These loans are subject to the interest rates prevailing in the Saudi banks plus an agreed profit margin.

The book value of the short-term loans is denominated in Saudi Riyals and is secured by personal guarantees from a shareholder in the Company and a promissory note of 992 million Saudi Riyals payable on demand.

10. ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	(Expressed in Saudi Riyal)	
	March 31, 2021	December 31, 2020
Rents of secured contracts	50,370,631	44,134,426
Discounts due to customers	29,732,784	31,221,410
Other credit balances	7,147,136	7,385,897
Advances payments from customers	4,036,218	1,271,320
Accrued commissions	2,569,112	2,212,277
Unearned revenue	1,604,012	1,739,520
VAT	1,049,183	9,935,737
Other	173,865	312,642
	<u>96,682,941</u>	<u>98,213,229</u>

11. ZAKAT:

Status of certificates and assessments:

The company submitted its zakat return until the fiscal year ended on December 31, 2020 and obtained a certificate from the General Authority for Zakat and Income, Also the Company finalized its zakat assessments for all years up to 2017.

On 9/28/2020, the Company received zakat assessments for the fiscal year 2018 AD, with total zakat differences amounting to (3,465,252 Saudi riyals). The company escalates the objection to the General Secretariat of the Tax Committees. The application was submitted on February 15, 2021.

The movement in Zakat provision is as follows:

	(Expressed in Saudi Riyal)	
	March 31, 2021	March 31, 2020
Balance on January 1,	6,862,683	8,774,296
Charged for the period	1,292,305	963,317
Paid during the period	(6,862,683)	-
Balance at period	<u>1,292,305</u>	<u>9,737,613</u>

12. REVENUE:

	(Expressed in Saudi Riyal)	
	Three-month period ended	
	March 31, 2021	March 31, 2020
Outdoor advertisements	141,742,994	176,558,373
Indoor advertisements	4,154,550	2,651,531
Printing	2,682,767	2,251,306
	<u>148,580,311</u>	<u>181,461,210</u>

13. COST OF REVENUE:

	(Expressed in Saudi Riyal)	
	Three-month period ended	
	March 31, 2021	March 31, 2020
Amortization of right of use (Note 6)	83,306,876	79,396,945
Depreciation (Note 5)	6,422,758	6,314,695
Cost of raw materials and other	6,234,342	5,549,959
Salaries, wages and other benefits	2,493,975	3,032,736
	<u>98,457,951</u>	<u>94,294,335</u>

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

14. DIVIDENDS:

In its meeting held at March 10, 2020, the Board of Directors recommended a dividend distribution in the amount of 24,000,000 Saudi riyals, dividends have been approved from the general assembly of shareholders at march 14, 2021.

15. EARNINGS PER SHARE:

The earnings per share was calculated from the net profit attributable to the shareholders based on the number of shares outstanding amounting to 50 million shares.

16. CONTINGENT LIABILITIES:

As of March 31, the Company has the following contingent liabilities:

(Expressed in Saudi Riyal)

	March 31, 2021	December 31, 2020
Letters of Guarantee	178,806,100	155,708,100
Letters of Credit	3,863,629	6,297,316

- Against of letters of guarantee and documentary credits a margin of cash deposited with banks as on March 31, 2021, amounting to 1,674,227 Saudi Riyals. (December 31, 2020: 4,680,227 Saudi riyals).

- There are obligations related to projects under implementation and the expected completion value as on March 31, 2021 amounts to: 15,281,079 Saudi riyals (December 31, 2020: 16,730,963 Saudi riyals).

17. 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.

18. 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.

19. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The interim condensed consolidated financial statements for the period ended on March 31, 2021, were approved by the Board of Directors on Shawal 5, 1442H corresponding to Corresponding to May 17, 2021G.