

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021**

Arabian Contracting Services Company
(Saudi Closed Joint Stock Company)

Interim condensed consolidated financial statements (Unaudited)
and independent auditor's review report
for the three-month and nine-month periods ended September 30, 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT
ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders

ARABIAN CONTRACTING SERVICES COMPANY

(SAUDI 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 subsidiaries (together "the Group") as at September 30, 2021 and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended September 30, 2021 and interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with International Accounting Standard - "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 International Accounting Standard (IAS 34) "Interim financial reporting" that is endorsed in the Kingdom of Saudi Arabia.

BAKER TILLY MKM & CO.
Certified Public Accountants


Ayad Obeyan Alseraihi

License No. 405

Riyadh on Rabi AL Awal 28 1443 H

Corresponding to November 3 2021 G



ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property and equipment, Net	5	176,928,270	154,912,900
Right of use	6	538,546,974	694,378,352
Total non-current assets		715,475,244	849,291,252
Current assets			
Inventory		15,271,351	15,626,738
Trade receivables	7	379,556,514	335,518,510
Due from related parties	8	17,920,545	18,736,610
Prepaid expenses and other debit balances	9	404,849,724	69,111,602
Cash and cash equivalents		49,317,989	26,585,303
Total current assets		866,916,123	465,578,763
TOTAL ASSETS		1,582,391,367	1,314,870,015
<u>EQUITY AND LIABILITIES</u>			
Shareholders' equity			
Share capital	1	500,000,000	500,000,000
Statutory reserve		25,079,630	25,079,630
Retained earnings		136,990,320	1,337,349
Total equity		662,069,950	526,416,979
Non-current liabilities			
Employees' defined benefits obligation		14,714,432	12,680,012
Lease liabilities - Non-Current Portion	6	234,810,242	316,255,139
Medium-term loans Non-Current Portion	10	30,000,000	-
Total non-current liabilities		279,524,674	328,935,151
Current liabilities			
Lease liabilities	6	184,429,803	215,408,520
Loans and bank Facilities	10	295,605,000	131,795,115
Account payables		9,553,343	7,238,338
Accrued expenses and other credit balances	11	143,656,972	98,213,229
Zakat Provision	12	7,551,625	6,862,683
Total current liabilities		640,796,743	459,517,885
Total liabilities		920,321,417	788,453,036
TOTAL EQUITY AND LIABILITIES		1,582,391,367	1,314,870,015

Financial Manager

Chief Executive Officer

Chairman of Board of Directors

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

ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	Three-month period ended september 30		Nine-month period ended september 30	
		2021	2020	2021	2020
Revenue	13	188,393,950	107,364,837	494,502,470	321,754,688
Cost of Revenue	14	(101,629,762)	(95,049,932)	(271,540,457)	(292,310,985)
Gross profit		86,764,188	12,314,905	222,962,013	29,443,703
Selling and marketing expenses		(7,391,622)	(2,795,139)	(20,826,001)	(8,124,562)
Administrative and general expenses		(10,534,067)	(8,349,436)	(30,702,182)	(21,922,125)
Operating profit (Loss)		68,838,499	1,170,330	171,433,830	(602,984)
Finance expenses		(7,915,548)	(5,527,441)	(16,715,396)	(17,235,270)
(Expenses) Other income, net		(216,522)	69,454	(11,513,838)	127,056
Net income (Loss) before zakat		60,706,429	(4,287,657)	143,204,596	(17,711,198)
Zakat	12	(3,621,180)	(1,789,174)	(7,551,625)	(3,715,809)
Net income (Loss)		57,085,249	(6,076,831)	135,652,971	(21,427,007)
Other comprehensive income		-	-	-	-
Total Comprehensive Income (Loss)		57,085,249	(6,076,831)	135,652,971	(21,427,007)
Earnings per share from:	16				
Net profit (Loss)		1.14	(0.12)	2.71	(0.43)

Financial Manager

Chief Executive Officer

Chairman of Board of Directors

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ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021
(EXPRESSED IN SAUDI RIYALS)

	Note	Share Capital	Statutory Reserve	Retained Earnings (Accumulated Loss)	Total
Balance as at January 01, 2021 (Audited)		500,000,000	25,079,630	1,337,349	526,416,979
Comprehensive income for the period		-	-	135,652,971	135,652,971
Balance as at September 30, 2021		500,000,000	25,079,630	136,990,320	662,069,950
Balance as at January 01, 2020 (Audited)		500,000,000	22,466,028	1,814,929	524,280,957
Comprehensive Loss for the period		-	-	(21,427,007)	(21,427,007)
Interim dividends	15	-	-	(24,000,000)	(24,000,000)
Balance as at September 30, 2020		500,000,000	22,466,028	(43,612,078)	478,853,950

Financial Manager

Chief Executive Officer

Chairman of Board of Directors

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ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021
(EXPRESSED IN SAUDI RIYALS)

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Cash flows from operating activities		
Net income (loss) before Zakat	143,204,596	(17,711,198)
Adjustment:		
Depreciation	20,046,535	19,608,959
Amortization of Right of use	225,173,801	253,490,249
Loss from disposal of property and equipment	11,929,255	523,024
Employees' defined benefits obligation	3,518,333	1,854,992
Finance expenses	16,715,396	17,235,270
Changes in operating assets and liability:		
Inventory	355,387	(1,767,479)
Trade receivables	(44,037,542)	104,981,964
Due from related party	816,065	3,886,670
Prepaid expenses and other debit balances	(270,515,746)	(23,425,137)
Account payables	2,315,005	848,497
Accrued expenses and other credit balances	45,443,281	(15,816,335)
Cash flows from operating activities	<u>154,964,366</u>	<u>343,709,476</u>
Employees' defined benefits obligation Paid	(1,483,913)	(469,891)
Zakat Paid	(6,862,683)	(7,191,381)
Net cash flows from operating activities	<u>146,617,770</u>	<u>336,048,204</u>
Cash flows from investing activities		
Property and equipment additions	(54,054,151)	(43,450,874)
Proceeds from disposal of property and equipment	62,991	282,795
Net cash flows used in investing activities	<u>(53,991,160)</u>	<u>(43,168,079)</u>
Cash flows from financing activities		
Short and medium-term loans	193,809,885	(94,951,087)
Finance expenses	(16,715,396)	(17,235,270)
lease liabilities	(246,988,413)	(163,760,833)
Interim dividends paid	-	(24,000,000)
Net cash used in financing activities	<u>(69,893,924)</u>	<u>(299,947,190)</u>
Net change in cash and cash equivalents	<u>22,732,686</u>	<u>(7,067,065)</u>
Cash and cash equivalents as at January 01,	<u>26,585,303</u>	<u>36,088,563</u>
CASH AND CASH EQUIVALENTS AS AT SEPTEMBER 30	<u>49,317,989</u>	<u>29,021,498</u>
<u>NON - CASH TRANSACTION</u>		
Right of use/ lease liability	<u>120,728,571</u>	<u>71,494,958</u>
Transfer right of use to prepaid expenses	<u>65,222,376</u>	<u>-</u>
Amortization of lease liability in accrued expenses	<u>-</u>	<u>(82,891,362)</u>
Closure Prepaid expenses in the lease liability	<u>-</u>	<u>(28,225,786)</u>
Transfer defined employees' benefits obligation to related party	<u>-</u>	<u>(1,404,963)</u>

Financial Manager

Chief Executive Officer

Chairman of Board of Directors

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

ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

1. ORGANIZATION AND ACTIVITY:

Arabian Contracting Services Company is a Saudi Closed Joint Stock registered in Riyadh, Kingdom of Saudi Arabia on 18/05/1403 H (corresponding to 02/03/1983 G) under Commercial Registration No. 1010048419.

The head office of the Group is located in Riyadh, Olaya Tower, General Organization for Social Insurance (GOSI) tower Building (B) Floor 33.

The main activities of the group 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 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 SR. 500 million is divided into 50 million shares, at SR. 10 per share. The shareholders and their shareholdings as at September 30, 2021 are as follows:

<u>Name</u>	<u>Percentage</u>	<u>Number of Shares</u>	<u>Share capital SR</u>
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 company owns 100% of the shares of the Arabian Out of Home Company (a limited liability company - a free zone - in the United Arab Emirates).

The company owns 100% of the Arabian Bird for Trading (A limited liability company - Olaya District - Prince Muhammad bin Abdelaziz Road) as it was established on September 29, 2021.

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 consolidated financial statements do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the group annual financial statements. 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, initial results for the period, are not necessarily indicative of the results that can be expected for the fiscal year ending December 31, 2021.

Presentation and functional currency

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

Basis of consolidation of interim condensed financial statements

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

Specifically, the Group controls an investee if, and only if, the Group has:

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

ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

2. BASIS OF PREPARATION (CONTAINUED):

Basis of consolidation of interim condensed financial statements (CONTAINUED)

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

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

Income and each component of Other Comprehensive Income (OCI) are attributed to the equity of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Inter-Group assets, liabilities, equity, revenues, expenses and cash flows resulting from transactions between Group companies are fully eliminated upon consolidating the interim condensed consolidated financial statements.

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 company's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis.

The significant judgments and estimates used by management when preparing the interim condensed consolidated financial statements are similar to those enclosed in the annual financial statements. Based on the spread of the Corona Pandemic (COVID-19), all sources for uncertainties remain the same as those shown in the last annual financial statements. Management will continue to monitor the situation and any required changes will be reflected in future reporting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and calculation methods applied in preparing the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the application of the new standards that became effective on January 1, 2021. The Group did not early adopt any other standard, interpretation or amendment issued but not yet effective.

New Standards, Amendment to Standards and Interpretations

There are no new standards issued; however, there are number of amendments to standards which are effective from January 1, 2021 and have been explained in Group's annual consolidated financial statements, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

5. PROPERTY AND EQUIPMENT, Net

(Expressed in Saudi Riyal)

	September 30, 2021	December 31, 2020
Cost:		
Balance at the beginning of the period	274,694,188	253,157,845
Addition	54,054,151	57,987,466
Disposal**	(44,666,815)	(36,451,123)
Balance at the ended of the period	<u>284,081,524</u>	<u>274,694,188</u>
Depreciation:		
Balance at the beginning of the period	119,781,288	128,686,774
Charge for the year	20,046,535	25,698,366
Disposal**	(32,674,569)	(34,603,852)
Balance at the ended of the period	<u>107,153,254</u>	<u>119,781,288</u>
	<u>176,928,270</u>	<u>154,912,900</u>

ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

5. PROPERTY AND EQUIPMENT, Net (continued)

* The property and equipment, as at September 30, 2021, includes an amount of SR. 35,4 million (December 31, 2020: SR. 30,7 million) represented in projects under construction, which are road billboards that are being manufactured and the expected additional value until completion as at September 30, 2021 amounting to SR 40,105,352 (December 31, 2020: SR 16,089,244) (Note 17),

** The disposals include the value of road billboards related to the Jeddah's contracts that were disposed during the period (note 6), as the cost amounted to SR. 37,4 million, the accumulated depreciation amounted to SR. 26 million and resulted in losses of SR.11,4 million.

Depreciation allocation to expenses:

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Cost of revenue (Note 14)	19,465,017	24,657,981
General and administrative expenses	581,518	1,040,385
	<u>20,046,535</u>	<u>25,698,366</u>

ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

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 interim consolidated statement of financial position.

Due to the events resulting from the (COVID-19), during the period, amendments were made to some contracts, which represented in a reduction in the rental value due or an extension of the grace period, the following is the effect of those amendments on both the interim consolidated financial position and comprehensive income.

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Right to use		
Balance as at January 01,	1,409,789,717	1,149,488,714
Adjustment	13,836,228	(4,066,725)
Disposal	(215,091,445)	-
Transfer to prepaid balances*	(65,222,376)	-
Additions during the period / year	120,728,571	264,367,728
	<u>1,264,040,695</u>	<u>1,409,789,717</u>
Accumulated amortization of right of use		
Balance as at January 01,	(715,411,365)	(374,414,718)
Adjustment	19,542,765	11,382,913
Disposal	215,091,445	-
Amortization	(244,716,566)	(352,379,560)
Balance at the end of the period / year	<u>(725,493,721)</u>	<u>(715,411,365)</u>
Net right of use	<u>538,546,974</u>	<u>694,378,352</u>
Lease liabilities		
Balance as at January 01,	531,663,659	493,198,724
Reducing the contracts' value	13,836,228	(4,066,725)
Adjustment to financing interest	1,430,822	(154,144)
Adjustment to accrued rents	10,832,909	304,541
Additions during the period / year	120,728,571	264,367,728
	<u>678,492,189</u>	<u>753,650,124</u>
Less / add:		
Closure prepaid expenses	-	(39,773,995)
Payments during the period / year	(263,041,150)	(162,791,355)
Finance interests	10,958,733	14,171,315
Amortization of accrued expenses and others	(7,169,727)	(33,592,430)
Balance at the end of the period / year	<u>419,240,045</u>	<u>531,663,659</u>
Current portion	184,429,803	215,408,520
Non-current portion	234,810,242	316,255,139
	<u>419,240,045</u>	<u>531,663,659</u>

Amortization allocation to expenses:

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Cost of revenue (Note 14)	223,777,671	338,948,687
Selling and marketing expenses	151,551	388,521
General and administrative expenses	1,244,579	1,659,439
	<u>225,173,801</u>	<u>340,996,647</u>

*Contracts transferred to prepaid balances are Mobi and Megacom Jeddah contracts that are ceased and out of company's control. Due to the issuance of judgment from the court stating to renew the period due to the company in each contract, contract resuming date has not been determined nor the sites handed over to the company, and based on the consultant opinion, that date will be determined by the court during the subsequent period, as the value of the defined periods have been transferred to prepayments by the court until determining that date.

ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

7. TRADE RECEIVABLES:

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Trade receivables	358,265,254	342,560,770
Trade receivables (related parties)	34,042,644	4,159,124
Impairment of trade receivables	(13,283,264)	(13,283,264)
	379,024,634	333,436,630
Checks under collection and notes Receivable	531,880	2,081,880
	379,556,514	335,518,510

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

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Balance as at January 1,	13,283,264	5,283,264
Impairment charged for the period / year	-	8,000,000
Balance as at December 31,	13,283,264	13,283,264

The aging analysis schedule of trade receivables is as follows:

	Overdue balances without impairment					Total SR
	Less than 30 days SR	From 31 days to 90 days SR	From 91 days to 180 days SR	From 181 days to 365 days SR	More than 366 days SR	
September 30, 2021	171,453,648	169,116,874	22,372,374	3,612,933	12,468,805	379,024,634
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 financial position of the customers wherever available, Concentrations of credit risks are limited because the customer base is large and the customer is not linked, no clients form for more than 10% of the total balance of trade receivables.

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

During the period / year, the Company has performed transactions with the related parties described below. The terms of these transactions and expenses have been made at the Company's management approval. The transactions registered below were carried out with the following entities:

Entity name	Nature of Relationship
Engineer Holding Company	Shareholder
MBC Holding Group Ltd.	Shareholder
Skill of House for Contracting and Trading Company	Affiliate
National Signage Industrial Company	Affiliate
Elegant hotel company	Affiliate
Multaka Al Zad Company for tourism	Affiliate
Saudi Media company	Affiliate
Elegant Restaurant Company	Affiliate

ARABIAN CONTRACTING SERVICES COMPANY

(SAUDI CLOSED JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

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

Transactions with related parties:

Related party	Nature of transaction	(Expressed in Saudi Riyal)	
		September 30, 2021	December 31, 2020
National Signage Industrial Company	Advances for business	24,320,939	9,296,416
National Signage Industrial Company	Payment for Billboards	14,055,495	5,291,633
National Signage Industrial Company	Sales	188,089	313,970
MBC Holding Group Ltd.	Sales	12,495,903	2,832,942
Engineer Holding Company	Proceeds on behalf of the company	816,065	-
Skill of House for Contracting and Trading Company	Advances for business	13,266	36,230
Elegant hotel company	Sales	12,440	309,374
Multaka Al Zad Company for Tourism	Sales	11,156	670,929
Multaka Al Zad Company for Tourism	collections	-	72,728
Engineer Holding Company	Transferred end of service	-	1,405,066
Engineer Holding Company	Dividends	-	24,000,000
Saudi Media company	Sales	-	60,559
Elegant Restaurant Company	Sales	-	75,879
Elegant Restaurant Company	collections	-	42,349
Elegant hotel company	collections	-	9,148

*All transactions with the related parties will be approved at the nearest company's general assembly. .

Compensation of senior management personnel incurred during the period:

	(Expressed in Saudi Riyal)	
	September 30, 2021	September 30, 2020
Compensations of senior management personnel	12,066,534	8,958,342

Senior management personnel 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.

The amounts due from related parties is as follows:

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Engineer Holding Group Company	17,920,545	18,736,610
	17,920,545	18,736,610

No interest is charged on the amounts and balances of transactions with related parties.

9. PREPAYMENT AND OTHER DEBIT BALANCES:

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Prepaid rent locations of billboards	310,312,935	33,441,893
Prepaid expenses and other debit balances	53,623,367	16,261,675
Advances to suppliers (Related Parties)	15,908,945	9,325,101
Advances to suppliers	11,304,302	6,181,887
Value added tax	8,160,252	-
Employee receivable	1,603,830	1,920,060
Cash margin of bank guarantees and letter of credits (Note 17)	1,429,927	1,674,227
Others	2,506,166	306,759
	404,849,724	69,111,602

ARABIAN CONTRACTING SERVICES COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

10. LOANS AND BANK FACILITIES:

The company obtained banking facilities in the form of short-term loans and letters of guarantee from local commercial banks, the utilized part of those loans amounted to SR. 326 million as at September 30, 2021 (December 2020: SR. 132 Million). These loans are subject to the interest rates prevailing in the Saudi banks plus an agreed profit margin. The book value of the short and medium-term loans is denominated in Saudi Riyals and is secured by personal guarantees from a shareholder in the company and a promissory note payable on demand.

11. ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Accrued rent menupcility	98,084,802	44,134,426
Accrued discount to customers	27,890,001	31,221,410
Accrued Commission	6,850,087	2,212,277
Other credit balances	5,419,744	7,385,897
Advances from customers	4,383,952	1,271,320
Unearned revenue	290,000	1,739,520
Value added tax	-	9,935,737
Other	738,386	312,642
	143,656,972	98,213,229

12. ZAKAT:

Status of certificates and final assessments:

The company filed its zakat returns until the fiscal year ended on 31/12/2020 and obtained a certificate from Zakat, Tax and Customs Authority ("ZATCA").

The company also finalized the zakat assessments for all years until 2016, the company received a zakat assessment for the fiscal year 2018, with a total zakat differences amounting to (SR. 3,465,252), and the company objected to the amount of the differences, as ZATCA has issued a rejection notice on 28/01/2021, the company has submitted and accelerated the objection to the General Secretariat of Tax Committees in February 15, 2021, those procedures have not been finalized up to that date. .

The movement is zakat payable provision

	(Expressed in Saudi Riyal)	
	September 30, 2021	December 31, 2020
Balance on January 01,	6,862,683	8,774,296
Charged for the period / year	7,551,625	5,300,925
Paid during the period / year	(6,862,683)	(7,212,538)
Balance at December 31,	7,551,625	6,862,683

13. REVENUE:

	(Expressed in Saudi Riyal)			
	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Road advertisements	180,707,890	102,630,615	470,721,969	308,276,679
Indoor advertisements	5,109,580	2,288,755	15,471,613	5,424,481
Printing	2,576,480	2,445,467	8,308,888	8,053,528
	188,393,950	107,364,837	494,502,470	321,754,688

14. COST OF REVENUE:

	(Expressed in Saudi Riyal)			
	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Amortization of right of use (Note 6)	83,644,904	81,224,979	223,777,671	251,836,144
Cost of raw materials and other	8,259,614	5,123,015	20,007,774	14,506,433
Depreciation (Note 5)	6,553,593	5,926,334	19,465,017	18,173,594
Salaries, wages and other benefits	3,171,651	2,771,254	8,289,995	7,790,464
Others	-	4,350	-	4,350
	101,629,762	95,049,932	271,540,457	292,310,985

ARABIAN CONTRACTING SERVICES COMPANY
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

15. DIVIDENDS:

In a meeting held in March 10, 2020, the Board of Directors recommended a dividend distribution in the amount of SR. 24,000,000, dividends has been approved by the general assembly of shareholders.

16. EARNINGS PER SHARE:

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

17. CONTINGENT LIABILITIES:

As at September 30, the Company has the following contingent liabilities:

(Expressed in Saudi Riyal)

	September 30, 2021	December 31, 2020
Letters of Guarantee *	132,008,451	155,708,100
Letters of credit	4,705,074	6,297,316

* Letters of guarantee and documentary credits correspond to cash margin deposited at banks as at September 30, 2021, amounting to SR. 1,429,927. (December 31, 2020: SR1,674,227). (Note 9).

* There are obligations related to projects under construction and the expected completion value as of September 30, 2021 amounts to SR. 40,105,352 (December 31, 2020: SR. 16,089,244). (Note 5).

18. FINANCIAL INSTRUMENTS:

Financial instruments included in the condensed 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.

19. 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 based on internal reports that are reviewed by the main operational decision-maker, who 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 rendering advertisement services in the Kingdom of Saudi Arabia and abroad.

20. SIGNIFICANT EVENTS:

On June 28, 2021, the Capital Market Authority issued a resolution approving the request of the Arabian Contracting Services company to offer 15,000,000 million shares for Initial Public Offers, representing 30% of the company's shares. The prospectus was issued in October 3, 2021, as offering of institutions and individuals will be completed in October 28, 2021.

21. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The interim condensed consolidated financial statements were approved by the Board of Directors in Rabi AL Awal 28, 1443 AH, corresponding to November 3, 2021G.