

ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements (Unaudited)

For The Three-Month Period Ended March 31, 2022
And Independent Auditor's Review Report

ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

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For The Three-Month Period Ended March 31, 2022

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

To the Shareholders
Arabian Contracting Services Company
(Saudi 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 March 31, 2022 and the related interim condensed consolidated statements of 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 statement 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 these interim condensed consolidated financial statements based on our review.

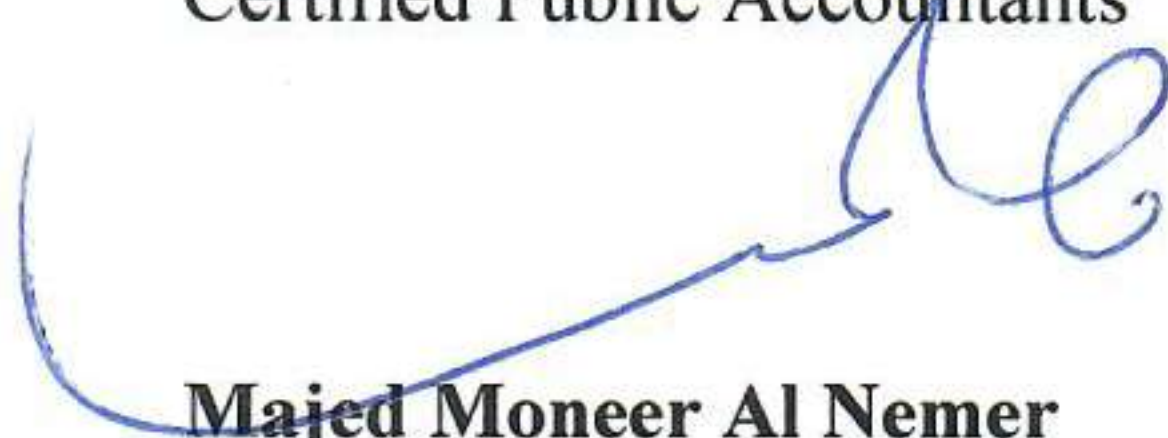
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' 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


Majed Moneer Al Nemer
(Certified Public Accountant – License No. 381)
Riyadh on Shawal 17, 1443 H
Corresponding to May 18, 2022 G



ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Financial Position
As At March 31, 2022
(Expressed In Saudi Riyals)

	Note	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment, net	6	195,307,682	193,409,253
Right of use assets	7	789,806,484	2,026,714,580
Intangible assets		2,461,547	-
Total non-current assets		987,575,713	2,220,123,833
Current assets			
Inventory, net		15,712,545	14,964,810
Trade receivables, Net	8	563,234,377	419,295,827
Prepaid expenses and other debit balances	9	307,259,736	395,558,345
Cash and cash equivalents		205,504,974	189,909,527
Total current assets		1,091,711,632	1,019,728,509
TOTAL ASSETS		2,079,287,345	3,239,852,342
EQUITY AND LIABILITIES			
Equity			
Share capital	1	500,000,000	500,000,000
Statutory reserve		45,565,791	45,565,791
Retained earnings		250,602,617	185,712,800
Total equity		796,168,408	731,278,591
Non-current liabilities			
Employees' defined benefits obligation		15,057,915	14,627,805
Lease contracts liabilities	7	511,864,664	1,587,149,552
Total non-current liabilities		526,922,579	1,601,777,357
Current liabilities			
Lease contracts liabilities - current portion	7	61,398,455	314,105,526
Short-term loans	11	476,660,966	447,866,523
Suppliers		14,161,421	4,587,336
Due to related parties	10	207,252	-
Accrued expenses and other credit balances	12	189,697,739	128,940,120
Zakat provision	13	14,070,525	11,296,889
Total current liabilities		756,196,358	906,796,394
Total liabilities		1,283,118,937	2,508,573,751
EQUITY AND LIABILITIES		2,079,287,345	3,239,852,342

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

Financial Manager
Mohamad Al Bazz



Chief Executive Officer
Mohamad Al Khereiiji

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Chairman of Board of Directors
Abdul Ellah Al Khereiiji




ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Three-Month Period Ended March 31, 2022
(Expressed In Saudi Riyals)

	Note	Three-month period ended March 31,	
		2022	2021
Revenue	14	287,400,301	148,580,311
Cost of Revenue	15	(182,941,288)	(98,457,951)
Gross profit		104,459,013	50,122,360
Selling and marketing expenses		(12,049,122)	(5,474,599)
General and administrative expenses		(11,695,316)	(7,997,291)
Income from main operations		80,714,575	36,650,470
Finance cost		(12,667,316)	(5,994,813)
(Expenses) Other income, net		(383,806)	261,256
Net profit for the period before zakat		67,663,453	30,916,913
Zakat	13	(2,773,636)	(1,292,305)
Net Income for the period		64,889,817	29,624,608
Other comprehensive income		-	-
Total comprehensive income for the period		64,889,817	29,624,608
Earnings per share from:	18		
Income from main operations		1.61	0.73
Net Income for the period		1.30	0.59
Total comprehensive income for the period		1.30	0.59

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

Financial Manager
Mohamad Al Bazz



Chief Executive Officer
Mohamad Al Khereiiji



Chairman of Board of Directors
Abdul Ellah Al Khereiiji



ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Changes in Equity
For The Three-Month Period Ended March 31, 2022
(Expressed In Saudi Riyals)

	Share Capital	Statutory Reserve	Retained Earnings	Total
For the period ended March 31, 2022				
Balance as at January 01, 2022 (Audited)	500,000,000	45,565,791	185,712,800	731,278,591
Comprehensive Income	-	-	64,889,817	64,889,817
Balance as at March 31, 2022 (Un-Audited)	<u>500,000,000</u>	<u>45,565,791</u>	<u>250,602,617</u>	<u>796,168,408</u>
For the period ended March 31, 2021				
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)	<u>500,000,000</u>	<u>25,079,630</u>	<u>30,961,957</u>	<u>556,041,587</u>

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

Financial Manager
Mohamad Al Bazz



Chief Executive Officer
Mohamad Al Khereiji



Chairman of Board of Directors
Abdul Ellah Al Khereiji




ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)
For The Three-Month Period Ended March 31, 2022
(Expressed In Saudi Riyals)

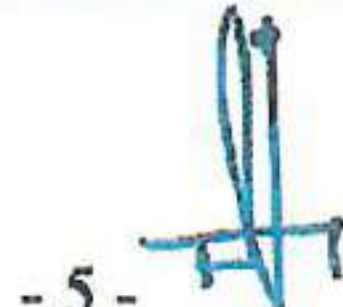
	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Cash flow from operating activities		
Net profit for the period before zakat or the period before zakat	67,663,453	30,916,913
Adjustment:		
Depreciation	7,376,043	6,675,540
Amortization of intangible assets	74,739	-
Amortization of right of use assets	116,435,703	83,773,793
Cost of disposal of right of use assets	24,357,154	-
Losses from disposal of property and equipment	490,400	10,509
Defined employees' benefits obligation	673,464	424,622
Finance expenses	12,667,316	5,994,813
Changes in operating assets and liability:		
Trade receivables	(143,938,550)	17,347,582
Inventories	(747,735)	(785,243)
Due from related parties	-	617,220
Prepaid expenses and other debit balances	(66,332,061)	(15,648,692)
Accounts payables	9,574,085	(3,692,637)
Accrued expenses and other credit balances	(15,965,303)	(10,634,120)
Cash flows from operating activities	12,328,708	115,000,300
Employee defined benefits obligation Paid	(36,102)	(94,633)
Zakat Paid	-	(6,862,683)
Net cash flows from operating activities	12,292,606	108,042,984
Cash flow from investing activities		
Property, plant and equipment additions	(12,315,158)	(9,133,663)
Proceeds from disposal of property, plant and equipment	14,000	14,581
Net cash flows used in investing activities	(12,301,158)	(9,119,082)
Cash flow from financing activities		
Short-term loans	28,794,443	52,264,587
Lease contracts liabilities	(10,084,785)	(143,068,271)
Finance expenses	(3,105,659)	(5,994,813)
Net cash flows used in financing activities	15,603,999	(96,798,497)
Net change in cash and cash equivalents balances	15,595,447	2,125,405
Cash and cash equivalents as at 1 January,	189,909,527	26,585,303
CASH AND CASH EQUIVALENTS AS AT MARCH 31,	205,504,974	28,710,708
<u>SIGNIFICANT NON - CASH TRANSACTION</u>		
Right of use assets / lease contracts liabilities	128,906,690	77,418,250
Amortize lease contract liability in accrued expenses	(76,722,922)	(9,103,832)
Closing Prepayment expenses in lease contract liabilities	(154,630,670)	(145,679)
Transfer employee defined benefits obligations to related party	(207,252)	-
Transfer work under construction to intangible assets	2,536,286	-

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

Financial Manager
Mohamad Al Bazz



Chief Executive Officer
Mohamad Al Khereiji



Chairman of Board of Directors
Abdul Ellah Al Khereiji



ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Notes To the Interim Condensed Consolidated Financial Statements (Unaudited)
For The Three-Month Period Ended March 31, 2022

1. ORGANIZATION AND ACTIVITY:

Arabian Contracting Services Company (the "Company") is a Saudi Joint Stock company, registered in Riyadh, Kingdom of Saudi Arabia on 18 Jumada Alula 1403H (corresponding to March 2, 1983) under Commercial Registration number 1010048419. Its shares were listed in the Saudi Stock Exchange on November 15, 2021.

The head office of the Company is located in Riyadh, Olaya district, the Olaya Towers, social insurance tower (B), Floor 33.

The main activities of the Group are the general construction of residential buildings, casting bases and foundations, installing electrical wires, constructing bridges, tunnels, railway lines, roads, sidewalks and roads' supplies, installing communication wires, printing commercial correspondences and invoices, printing advertisements, posters and flyers, Photo engraving on metal or plastic plates (zinc graph), printing using copiers, wholesale of gifts and luxuries, advertising organizations and agencies and organizing / managing exhibitions and conferences.

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

The Company has five branches inside the Kingdom of Saudi Arabia, which operate under the following sub-commercial registrations:

Branch	Commercial Registration No	City	Date of Registration
Rawayah Printing Press Factory	1010057812	Riyadh	14/05/1405
Branch of Arabian Contracting Service Co	1010062303	Riyadh	02/07/1406
Ain Al Arabia Advertising Company	1010500526	Riyadh	18/04/1440
Arabian Contracting Service	4030058296	Jeddah	12/01/1408
Rawayah Printing Press Factory	4030275525	Jeddah	30/10/1435

2. BASIS OF PREPARATION:

The interim condensed consolidated financial statements of the Group 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 group annual financial statements for the year ended December 31, 2021. 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, 2022.

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

The interim condensed 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.

ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Notes To the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)
For The Three-Month Period Ended March 31, 2022

2. BASIS OF PREPARATION (CONTAINED):

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 rights, to variable returns from its direct involvement and relationship with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting 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 (or arrangements) 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 components, revenues, expenses and cash flows resulting from transactions between Group companies are fully eliminated upon consolidating the interim condensed consolidated financial statements.

The Group's consolidated financial statements as of March 31, 2022 include the following subsidiaries:

<u>Company name</u>	<u>Legal form</u>	<u>Country</u>	<u>Ownership %</u>	
			<u>2022</u>	<u>2021</u>
Al-Arabia Out of Home Company	LLC	UAE	100%	100%
Al-Taer Al Arabi for Trading Co	LLC	SA	100%	100%

- **Al-Arabia 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.
- **Al-Taer Al Arabi for Trading Co**- a limited liability company in the Kingdom of Saudi Arabia, which is a subsidiary company 100% owned by the Company with a capital of SR. 50,000.

ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Notes To the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)
For The Three-Month Period Ended March 31, 2022

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

The signified 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. SUMMARY OF SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTIONS:

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, 2021, except for the application of the new standards that became effective on January 1, 2022. 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, 2022 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. OPERATING SEGMENTS:

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

Segment basis

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

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

<u>Segment reports</u>	<u>Operations</u>
Advertising segment	Indoor and outdoor advertisements
Printing segment	All kinds of Printing work
Online sales segment	Retail online sales

ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Notes To the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)
For The Three-Month Period Ended March 31, 2022

5. OPERATING SEGMENTS (Continued)

Information on segment reporting

The information for each sector report is listed below. The gross profit of the segment is used to measure the performance because the management considers that this information is most appropriate to assess the results of the relevant sectors relating to other enterprises operating in the same industries.

<u>For the period ended March 31, 2022</u>	<u>Advertising sector</u>	<u>Printing sector</u>	<u>Online sales sector</u>	<u>Total</u>
	SR	SR	SR	SR
Revenue	283,506,569	3,893,732	-	287,400,301
Cost of revenue	(179,878,110)	(2,769,780)	(293,398)	(182,941,288)
Gross income	<u>103,628,459</u>	<u>1,123,952</u>	<u>(293,398)</u>	<u>104,459,013</u>
<u>For the period ended March 31, 2021</u>	<u>Advertising sector</u>	<u>Printing sector</u>	<u>Online sales sector</u>	<u>Total</u>
	SR	SR	SR	SR
Revenue	145,897,544	2,682,767	-	148,580,311
Cost of revenue	(95,954,125)	(2,503,826)	-	(98,457,951)
Gross income	<u>49,943,419</u>	<u>178,941</u>	<u>-</u>	<u>50,122,360</u>
<u>As of March 31, 2022</u>	<u>Advertising sector</u>	<u>Printing sector</u>	<u>Online sales sector</u>	<u>Total</u>
	SR	SR	SR	SR
Property, plant and equipment, net	176,621,135	17,280,667	1,405,880	195,307,682
Intangible assets	-	-	2,461,547	2,461,547
	<u>176,621,135</u>	<u>17,280,667</u>	<u>3,867,427</u>	<u>197,769,229</u>
<u>As of December 31, 2021</u>	<u>Advertising sector</u>	<u>Printing sector</u>	<u>Online sales sector</u>	<u>Total</u>
	SR	SR	SR	SR
Property, plant and equipment, net	175,612,923	17,796,330	-	193,409,253

* Revenues of advertising sector includes the revenues of printing operations associated to advertising campaigns.

6. PROPERTY, PLANT AND EQUIPMENT, NET:

	<u>(Expressed in Saudi Riyal)</u>	
	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Cost:		
Balance at the beginning of the period / Year	305,550,744	274,694,188
Addition during the period / Year	12,315,158	78,767,253
Disposal during the period / Year	(1,734,549)	(47,091,647)
Transferred to intangible assets	(2,536,287)	-
Transferred to related parties	-	(819,050)
Balance at the ended of the period / Year	<u>313,595,066</u>	<u>305,550,744</u>
Accumulated Depreciation:		
Balance at the beginning of the period / Year	112,141,491	119,781,288
Addition during the period / Year	7,376,043	27,298,894
Disposal during the period / Year	(1,230,150)	(34,938,691)
Balance at the ended of the period / Year	<u>118,287,384</u>	<u>112,141,491</u>
Net Book Value	<u>195,307,682</u>	<u>193,409,253</u>

ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Notes To the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)
For The Three-Month Period Ended March 31, 2022

6. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

* The property, plant and equipment, as at March 31, 2022, includes an amount of SR 34.9 million (December 31, 2021: SR 44.8 million) 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, 2022, an amount of SR 6.5 million (December 31, 2021: SR 8.9 million).

Distribution of depreciation on expenses:

	(Expressed in Saudi Riyal)	
	March 31,2022	December 31,2021
Cost of revenue (Note 15)	7,246,849	26,595,273
General and administrative expenses	129,194	703,621
	7,376,043	27,298,894

7. RIGHT OF USE ASSETS / LEASE CONTRACTS LIABILITIES:

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 condensed 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 interim condensed consolidated financial position and comprehensive income.

	(Expressed in Saudi Riyal)	
	March 31,2022	December 31,2021
<u>Right to use assets</u>		
Balance at as January 01,	2,829,845,948	1,409,789,717
Adjustments	43,832,723	(12,681,337)
Transferred to prepaid expenses (A)	-	(80,104,462)
Disposal (B)	(1,406,492,471)	(200,209,360)
Additions during the period / year	128,906,690	1,713,051,390
	1,596,092,890	2,829,845,948
<u>Right of use assets accumulated amortization</u>		
Opening Balance at as January 01,	(803,131,368)	(715,411,365)
Adjustments	(1,962,593)	24,867,592
Disposal	113,280,665	200,209,360
Amortization	(114,473,110)	(312,796,955)
Balance at the end of the period / year	(806,286,406)	(803,131,368)
Net Right of use assets	789,806,484	2,026,714,580
<u>Lease contracts liabilities</u>		
Balance at as January 01,	1,901,255,078	531,663,659
Adjustments	43,832,723	(12,681,337)
Adjustment of financing interest	(2,287,627)	2,033,038
Disposal	(1,268,854,652)	-
Adjustment of accrued rents	(39,704,726)	14,051,317
Additions during the period / year	128,906,690	1,713,051,390
	763,147,486	2,248,118,067
<u>Deduct / added:</u>		
Close prepaid expenses	(154,630,670)	(33,918,830)
Payments during the period / year	(10,084,785)	(279,888,014)
Finance expenses	11,849,284	20,521,669
Amortization of accrued expenses	(37,018,196)	(53,577,814)
The balance at the end of the period / year	573,263,119	1,901,255,078
Current portion	61,398,455	314,105,526
Non-current portion	511,864,664	1,587,149,552
	573,263,119	1,901,255,078

ARABIAN CONTRACTING SERVICES COMPANY
(Saudi Joint Stock Company)

Notes To the Interim Condensed Consolidated Financial Statements (Unaudited) (Continued)
For The Three-Month Period Ended March 31, 2022

7. RIGHT OF USE ASSETS / LEASE CONTRACTS LIABILITIES (CONTINUED):

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

(B) In March 31, 2022, the management cancelled the contract with Jeddah Municipality, and the Municipality was informed about the termination of the contract from Arabian contracting services company, which resulted in differences of SR 24,3 million (Note 15), based on the opinion of the legal advisor, the company has no other obligations against the cancelation of the contract with the Jeddah Municipality.

Distribution of amortization over the expenses:

	(Expressed in Saudi Riyal)	
	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Cost of revenue (Note 15)	115,973,259	286,053,007
Selling and marketing expenses	47,584	216,917
General and administrative expenses	414,860	1,659,439
	<u>116,435,703</u>	<u>287,929,363</u>

8. TRADE RECEIVABLES, NET:

	(Expressed in Saudi Riyal)	
	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Trade receivables	523,053,833	375,276,914
Trade receivables (related parties Note 10)	50,778,106	54,616,475
Expected credit loss	(10,597,562)	(10,597,562)
	<u>563,234,377</u>	<u>419,295,827</u>

The movement in the expected credit loss of trade receivables during the period is as follows:

	(Expressed in Saudi Riyal)	
	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Balance as at January 1,	10,597,562	13,283,264
(Reverse) Impairment charge for the period/ Year	-	(2,685,702)
The balance at the end of the period / Year	<u>10,597,562</u>	<u>10,597,562</u>

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

	Overdue balances without impairment					
	Less than 30	From 31	From 91	From 181	More than	Total
	days	days to 90	days to 180	days to 365	365 days	
	SR	SR	SR	SR	SR	
March 31, 2022	<u>321,893,958</u>	<u>84,699,084</u>	<u>61,341,984</u>	<u>67,923,365</u>	<u>27,375,986</u>	
December 31, 2021	<u>202,633,793</u>	<u>80,608,370</u>	<u>69,304,915</u>	<u>56,348,824</u>	<u>10,399,925</u>	<u>419,295,827</u>

The credit period granted to customers ranges from 30 to 90 days and no commissions are charged to these accounts, The group 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.

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For The Three-Month Period Ended March 31, 2022

9. PREPAYMENTS AND OTHER DEBIT BALANCES:

	(Saudi Riyal)	
	March 31,2022	December 31,2021
Prepaid rent of billboards locations	254,845,667	363,264,777
Advances to suppliers (Related Parties note 10)	19,281,568	11,784,744
Value added Tax VAT	11,061,759	1,890,395
Advances to suppliers	10,409,842	8,293,272
Prepaid expenses and other debit balances	8,284,576	6,728,796
Employee receivable	1,777,998	1,752,790
Cash margin of bank guarantees and letter of credits (Note 17)	853,380	928,380
Others	744,946	915,191
	307,259,736	395,558,345

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

During the period, the group has transactions with the related parties described below. The terms of these transactions and expenses have been approved by the group management. The transactions registered below were carried out with the following entities:

Name of related parties	Nature of Relationship
Engineer Holding Company	Shareholder
MBC Holding Limited Group	Shareholder
House Of Skill For Contracting Company	Affiliate
National Signage Industrial Company	Affiliate
Elegant Hotel Company For Tourism And Hotels	Affiliate
Elegant Restaurant Company	Affiliate
Multaqa Al Zad For Tourism Company.	Affiliate
Saudi Media Company	Affiliate
Green Box Company	Affiliate
Saudi Media Solution Company	Affiliate

Related party	Nature of transaction	(Saudi Riyal)	
		March 31,2022	March 31,2021
Saudi Media Company	Sales	7,509,067	-
Saudi Media Company	Collections	13,160,638	-
Saudi Media Company	Purchases	7,876,837	-
National Signage Industrial Company	Invoices payments	-	5,704,988
National Signage Industrial Company	Billboards Cost	5,832,786	-
National Signage Industrial Company	Sales	67,813	141,232
National Signage Industrial Company	Payment	13,353,295	9,056,466
Engineer Holding Company	Transferred E.O.S	207,252	-
House Of Skill For Contracting Company	Billboard installments	23,685	8,367
House Of Skill For Contracting Company	Advances Payment	22,598	6,633
Elegant Restaurants Company	Collections	7,146	-
Elegant Restaurants Company	Sales	21,234	-
Multaqa Al Zad For Tourism Company	Collections	1,012	-
Elegant Hotel Company For Tourism And Hotels	Collections	2,829	-
Elegant Hotel Company For Tourism And Hotels	Sales	863	8,750
MBC Holding Limited Group	Sales	4,537,866	7,132,853
MBC Holding Limited Group	Collections	2,826,183	-

*All transactions with the related parties has been approved by the extra ordinary general assembly of the group.

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10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

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

	(Expressed in Saudi Riyal)	
	March 31,2022	March 31,2021
Employees benefits obligation	<u>4,346,624</u>	<u>2,039,274</u>

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 group activities.

The amounts due to related parties is as follows:

	(Expressed in Saudi Riyal)	
	March 31,2022	December 31,2021
Engineer Holding Group Company	<u>207,252</u>	<u>-</u>

Trade Receivables (Related Parties, Note 8)

	(Saudi Riyal)	
	March 31,2022	December 31,2021
Saudi Media Company	37,540,707	43,192,278
MBC Holding limited Group	9,620,808	7,909,125
National Signage Industrial Company	2,594,389	2,526,576
Multaqa Al Zad Company for Tourism	615,780	616,792
Elegant Hotel Company For Tourism And Hotels	196,593	198,559
House Of Skill For Contracting Company	101,874	79,278
Green Box company	92,660	92,660
Elegant Restaurants Company	15,295	1,207
	<u>50,778,106</u>	<u>54,616,475</u>

Advances to suppliers (Related Parties 9)

	(Saudi Riyal)	
	March 31,2022	December 31,2021
National Signage Industrial Company	19,067,912	11,547,403
House Of Skill For Contracting Company	213,656	237,341
	<u>19,281,568</u>	<u>11,784,744</u>

Suppliers (Related Parties)

	(Saudi Riyal)	
	March 31,2022	December 31,2021
Saudi Media Company	<u>7,876,837</u>	<u>-</u>

Other creditors (Related Parties 12)

	(Saudi Riyal)	
	March 31,2022	December 31,2021
Saudi Media solution Company	<u>1,725,000</u>	<u>1,725,000</u>

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

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11. SHORT-TERM LOANS:

The Group have bank facilities represented in short-term loans from local commercial banks as of March 31,2022 amounting to SR 476,660,966 (December 31,2021: SR 447,866,523). These loans are subject to interest rates prevailing in Saudi banks plus an agreed profit margin.

The carrying amount of short-term loans is denominated in Saudi riyals and is secured by personal guarantees from both of the chairman and chief executive officer of the group, a promissory note of is paid upon request.

12. ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	(Expressed in Saudi Riyal)	
	March 31,2022	December 31,2021
Accrued municipality rents of secured contracts	94,343,038	57,462,342
Discounts due to customers	54,824,658	39,918,642
Accrued commissions	21,748,654	11,699,712
Other creditors	8,626,088	13,666,264
Advances payments from customers	5,859,886	2,684,590
Other creditors (Related Party note 10)	1,725,000	1,725,000
Unearned revenue	-	54,999
Other	2,570,415	1,728,571
	189,697,739	128,940,120

13. ZAKAT:

Zakat status and final zakat assessment

- The Company submitted its zakat return until the fiscal year ending on 31/12/2021 and obtained a certificate from the General Authority for Zakat, Tax and custom authority.
- The Company has a zakat assessment for the fiscal year 2017 with zakat differences of approximately SR 1,402,411, and the objection was escalated to the Committee for Adjudication of Tax Violations and Disputes. No judgment has been issued until the date of the financial statements.
- The Company has a zakat assessment for the fiscal year 2018 with zakat differences of approximately SR 3,465,252, and the objection was escalated to the Committee for Adjudication of Tax Violations and Disputes. No judgment has been issued until the date of the financial statements.

The movement in Zakat provision is as follows:

	(Expressed in Saudi Riyal)	
	March 31,2022	December 31,2021
Balance on January 1,	11,296,889	6,862,683
Charged for the period	2,773,636	11,296,889
Paid during the period	-	(6,862,683)
The balance at the end of the period / Year	14,070,525	11,296,889

Zakat for the year ended December 31, 2021 has been paid after balance sheet date amounted SR11,390,207.

14. REVENUE:

	(Expressed in Saudi Riyal)	
	Three-month period ended	
	March 31,2022	March 31,2021
Outdoor advertisements	266,816,339	141,742,994
Indoor advertisements	16,690,230	4,154,550
Printing	3,893,732	2,682,767
	287,400,301	148,580,311

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15. COST OF REVENUE:

	(Expressed in Saudi Riyal)	
	Three-month period ended	
	March 31,2022	March 31,2021
Amortization of right of use (Note 7)	115,973,259	83,306,876
Disposal cost of right of use assets (Note 7)	24,357,154	-
Cost of raw materials and other	21,179,741	6,234,342
Rent from others	11,158,797	-
Depreciation	7,246,849	6,422,758
Salaries, wages and other benefits	3,025,488	2,493,975
	182,941,288	98,457,951

16. DIVIDENDS:

In its meeting held at March 6, 2022, the Board of Directors recommended a dividend distribution in the amount of 92,500,000 Saudi riyals, The dividend has been approved on May 10, 2022, the date by the extra ordinary General Assembly meeting.

17. CONTINGENT LIABILITIES:

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

	(Expressed in Saudi Riyal)	
	March 31,2022	December 31,2021
Letters of Guarante *	94,502,799	80,290,298
Letters of Credit	4,722,629	6,318,649

* Cash margin in respect of letters of guarantee as on March 31, 2022, amounted to SR 853,380 (December 31,2021: SR 928,380).

The Group has capital commitments related to billboards that are being manufactured (projects under progress) as at March 31, 2022, amounting to SR 6,550,033 (December 31,2021: SR 8,993,191).

18. EARNINGS PER SHARE:

The calculation of basic and diluted earnings per share for the period ended March 31, 2022 and 2021 is based on dividing the income from the main operations for the period, net income for the period and total comprehensive income for the year on the average outstanding shares of shareholders. The number of outstanding shares as at March 31, 2022 is 50 million shares (2021: 50 million shares). There are no potentially diluted common shares.

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19. SHARE CAPITAL MANAGEMENT:

The objectives of the group capital management are to ensure the group ability to continue as a going concern and to provide sufficient return to the shareholders by optimizing the capital structure. The group manages the capital, and adjustments are made to it in the light of changes in economic conditions and other variables that include risks related to the group assets. In order to maintain or adjust the capital structure, the group may adjust dividend payments to shareholders, or adjust the capital.

The group policy is to maintain a strong capital base in order to gain investor and market confidence as well as to ensure the future development of the business. The management monitors the return on capital and the level of dividends to shareholders. The Board of Directors seeks to maintain a balance between the higher returns that could be obtained through increased levels and the safety benefits that could be achieved by maintaining a strong capital position. The group aims to achieve an adequate return on capital. The return for the period ending March 31, 2022, was 13% (March 31, 2021: 6%). The group monitors capital using the "net revised debt" to revise "equity" ratio. For this purpose, adjusted net debt is defined as total liabilities less cash and bank balances. Shareholders' equity consists of all components of shareholders' equity if any.

The group has sufficient financing to meet all of the group's commitments.

20. FINANCIAL INSTRUMENTS FAIR VALUE AND RISK MANAGEMENT:

The Group's financial assets consist of bank balances, customers and due from related parties. The Group's financial liabilities consist of trade payables and other financial liabilities. The accounting policies for financial assets and liabilities have been clarified in Note No. (4). The Group does not currently use derivatives financial instruments to manage this risk to which it is exposed.

GENERAL FRAMEWORK OF RISK MANAGEMENT

The Group's board of directors is generally responsible for setting and following up the general framework of the risk management of the Group. Group's policies of risk management are being set to determine and analyze risks which encounter the Group and setting appropriate limitations and regulations for the risks, as well as monitoring the risks and align to the limits which have been set. Policies and regulations of the risks management are being regularly reviewed to reflect the changes in the market circumstances and the Group's activities. The Group objects through the standards and procedures of training and its management to maintain a disciplined control environment as all employees would realize their roles and commitments.

The Group's audit committee takes over the overseeing how the management is following and the extent of commitment to the Group's policies and procedures for the risk management, in addition to that reviewing the effectiveness of the general framework of the risk managements in connection with the risks which encounter the Group.

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 Group are recognized in accordance with the historical cost convention, differences between carrying amounts and fair value estimates may arise, Management believes that the fair values of the Group's assets and liabilities are not materially different from their carrying values.

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20. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)
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, which are primarily arise from trade receivables, cash, bank balances and due from related parties.

The Group is exposed to credit risk on contract assets, trade receivables and bank balances as follows:

	(Saudi Riyal)	
	March 31, 2022	December 31, 2021
Trade receivables, net	563,234,377	419,295,827
Other debit balances	3,376,324	3,596,361
Cash and cash equivalent	205,504,974	189,909,527
	772,115,675	612,801,715

The carrying amount of financial assets represents the maximum exposure to credit risk.

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

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

The Group seeks to reduce the credit risks from the trade receivables by setting a maximum limit of repaying which is two months for most of clients. The Group grants advances to employees under a guarantee of the employees' benefits not exceeding 60% of the due benefits of the employee.

Impairment in trade receivables as at March 31, 2022 is assessed at an amount of SR. 10,597,562 (December 31, 2021: SR. 10,597,562) in accordance with the Group's policy and IFRS 9 – financial instruments.

As at the date of the statement of financial position, the trade receivables ages of customers balances were as follows:

For the period ended March 31, 2022:

<u>Aging (in days)</u>	<u>Book value</u>	<u>Expected credit losses</u>	<u>Balance</u>
	SR	SR	SR
From 0 to 90	406,593,042	224,956	406,368,086
From 91 to 180	61,341,984	94,952	61,247,032
From 181 to 365	67,923,365	620,650	67,302,715
More than 365	37,973,548	9,657,004	28,316,544
	573,831,939	10,597,562	563,234,377

For the year ended December 31, 2021:

<u>Aging (in days)</u>	<u>Book value</u>	<u>Expected credit losses</u>	<u>Balance</u>
	SR	SR	SR
From 0 to 90	283,377,792	135,629	283,242,163
From 91 to 180	69,390,206	85,291	69,304,915
From 181 to 365	56,976,337	627,513	56,348,824
More than 365	20,149,054	9,749,129	10,399,925
	429,893,389	10,597,562	419,295,827

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20. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)
CREDIT RISK (CONTINUED)

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

	Saudi Riyal	
	March 31, 2022	December 31, 2021
Opening balance	10,597,562	13,283,264
(Reversal) impairment of trade receivables	-	(2,685,702)
	10,597,562	10,597,562

RISK CONCENTRATIONS MAXIMUM EXPOSURE TO CREDIT RISK

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

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty to meet the obligations associated with the financial liabilities that have not been settled in cash or through other financial assets. The Group' methodology for the liquidity management aims to ensure a sufficient liquidity as possible, to meet its obligations when are due, in the normal or critical circumstances, without incurring unacceptable losses or exposing the Group's reputation to the risk.

The Group cares to keep the cash and bank balances in the debit instruments which are significantly marketable greater than the expected external cash flows which are associated with the financial liabilities over the upcoming 60 days. The Group also monitors the levels of the anticipated cash flows of the trade receivables with the anticipated external cash flows of the trade payables.

The contractual accruals at the end of the financial obligations' report are as follows:

	(Saudi Riyal)		
	Book value	Less than one year	More than a year
<u>As of March 31, 2022</u>			
Financial obligations			
Lease obligations	573,263,119	61,398,455	511,864,664
Short-term loans	476,660,966	476,660,966	-
Suppliers	14,161,421	14,161,421	-
Other credit balances	100,202,924	100,202,924	-
Zakat provision	14,070,525	14,070,525	-
	1,178,358,955	666,494,291	511,864,664
<u>As of December 31, 2021</u>			
Financial obligations			
Lease obligations	1,901,255,078	314,105,526	1,587,149,552
Short-term loans	447,866,523	447,866,523	-
Suppliers	4,587,336	4,587,336	-
Other credit balances	60,201,931	60,201,931	-
Zakat provision	11,296,889	11,296,889	-
	2,425,207,757	838,058,205	1,587,149,552

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 Group.

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20. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)
MARKET PRICE RISK

Market price risks are the risks of fair value fluctuation for the financial instruments due to the changes in the market prices. The market prices arise from the outstanding centers in the interest prices, foreign currencies and assets' products which are all exposed to general and specific movements in the market and changes in the fluctuation level of prices, such as cost prices and foreign currencies prices.

CURRENCY RISK

Currency risks are the risks of fair value or future cash flows fluctuation for a financial instrument due to the fluctuation in foreign currency exchange rate. The Group manages the foreign currency risks based on restrictions specified by the management, the continuing evaluation for the outstanding centers in the Group and the current / expected movements in the foreign currency exchange rates.

The management believes that the Group is not exposed to significant foreign currency risks.

Reasonable increase (decrease) in Euro and US Dollar rates against all other currencies at the end of the period will affect the measurement of the financial instruments which are dominated in foreign currencies, as well as equity and total income.

INTEREST RATE RISK

Interest rate risks arise from the fair value or future cash flows' fluctuation for a financial instrument due to the changes in the market prices. The Group is currently not being exposed to material interest rates prices risks on its assets and liabilities.

21. SIGNIFICANT EVENTS:

In December 12, 2021, the Company's management has signed the article of association – Closed Joint Stock Company in the Arabian Egypt Republic, as a partnership with United Media Services Company in rate of 50%.

22. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements for the period ended March 31, 2022 were approved by the Board of Directors on 17 Shawal 1443 H, corresponding to May 18, 2022.