ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2023

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الريــاض – حي العليا - طريق العروبة
مبنى رقم ٣١٩٣ ، الطابق الأول
ص. ب ٨٣٣٥ ، الرياض - ١٢٣٣٣
هــاتف: ٩٣٦١ ٤١٦ ١١ ٩٦٦+
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INDEPENDENT AUDITOR'S REPORT

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

Opinion:

We have audited the consolidated financial statements of Arabian Contracting Services Company **(**the "Company"**)** and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants *(including International Independence Standards)*, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Acquisition of a subsidiary During the financial year ended December 31, 2023, the Group completed the acquisition of Faden Agency Media and Advertising Company with an amount of SR 1,050 million which resulted in goodwill with an amount of SR 528.9 million and intangible assets with an amount of SR 228.4 million. This matter has been considered as a key audit matter due to the significant impact on consolidated financial position of the Group and its results which is subject to management judgments and estimates in relation to the purchase price allocation of the assets and liabilities. This exercise also require management to determine the fair value of the assets and liabilities acquired and to identify intangible assets and goodwill resulting from the acquisition. The management used an external valuator to determine the fair value of this acquisition.	We have performed the following procedures in this area among other matters: • Inspected the sales and purchase agreements and the circulars issued to the shareholders in relation to the acquisitions to obtain an understating of the transactions and the key terms. • Assessed whether the appropriate accounting treatments have been applied to these transactions and arrangement therein. • Obtained a copy of the external valuator's report relating to the acquisition. • Assessed the competence and experience of the valuator. • Engaged our internal specialists to assess the valuation methodologies used by management and the external valuator in fairly valuing the assets and liabilities acquired. • Assessed the adequacy of the relevant disclosures in the consolidated financial statements.
Refer to Note (2) of the consolidated financial statements for the accounting policy related to acquisition and business combination, Note (3) for the disclosure of significant accounting judgements, estimates and assumptions, and Notes (1) and (9) for the related disclosures.	

Key audit matter	How the matter was addressed in our audit
Revenue recognition As disclosed in the consolidated financial statements, the Group reported revenues for the year ended December 31, 2023 with an amount of SR 1,279 million (December 31, 2022: SR 1,126 million). Revenue recognition has been considered a key audit matter due to the inherent risks of the occurrence of revenue recognition at its actual value or not properly recognizing it before the Group satisfies a performance obligation.	We have performed the following procedures in this area among other matters: • Assessed the appropriateness of the accounting policies relating to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Customers" and examined the supporting documents for a sample of revenue transactions. • Assessed the design and implementation and tested the operational effectiveness of the Group's control procedures over revenue recognition in accordance with Group's policy. • Examined on a sample basis revenue transactions made at the beginning or end of the year to assess whether revenues have been recognized in the correct period. • Tested on a sample basis the revenue transactions and verified the supporting documents, which included agreements and receipt notes from customers, to ensure the accuracy and validity of revenue recognition.
Refer to Note (4) of the consolidated financial statements for the accounting policy related to revenue recognition and Notes (6) and (21) for the related disclosures.	

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Other Information Included in the Group's 2023 Annual Report:
Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and auditor's report. Management is responsible for the other information in its annuals report. The Group's 2023 annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2023 annual report when, it is available, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements:
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and the provisions of the Companies' Law and the Company's Bylaws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Group's Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements:
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued):

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

RSM Allied Accountants Professional Services

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س.ت: ٤٠٣٠٢٢٨٧٧٣
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RSM Allied Accountants Professional Services C.O

Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh, Kingdom of Saudi Arabia
20 Ramadan 1445 H (corresponding to March 30, 2024)

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(SAUDI RIYAL)

	Notes	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	7	**282,072,284**	199,586,967
Right-of-use assets	8	**1,631,015,221**	1,445,947,004
Intangible assets and goodwill	9	**757,275,925**	-
Investment in an associate	10	**298,063,092**	-
Total non-current assets		**2,968,426,522**	1,645,533,971
Current assets			
Inventories	11	**17,345,999**	17,532,017
Trade receivables	12	**836,747,065**	627,619,797
Prepaid expenses and other current assets	14	**545,977,339**	231,717,538
Due from related parties	13	**2,411,265**	-
Cash and cash equivalents	15	**174,082,308**	115,354,538
Total current assets		**1,576,563,976**	992,223,890
Assets from discontinued operations	26	**383,204**	4,484,817
TOTAL ASSETS		**4,545,373,702**	2,642,242,678
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**500,000,000**	500,000,000
Reserves	16	**73,035,771**	73,035,771
Retained earnings		**544,504,458**	247,336,074
Foreign currency translation reserve		**(4,395,963)**	(500,985)
Total equity attributable to equity holders of the parent company		**1,113,144,266**	819,870,860
Non-controlling interests		**3,569,097**	1,089,278
Total equity		**1,116,713,363**	820,960,138
Liabilities			
Non-current liabilities			
Employees' defined benefits obligations	17	**18,864,246**	13,223,916
Lease liabilities	8	**1,307,000,143**	1,020,414,870
Long-term Murabaha	18-2	**971,250,000**	-
Total non-current liabilities		**2,297,114,389**	1,033,638,786
Current liabilities			
Lease liabilities - current portion	8	**251,736,665**	196,153,896
Long-term Murabaha - current portion	18-2	**78,750,000**	-
Short-term loans	18-1	**418,000,000**	348,915,747
Contracts liabilities		**3,692,060**	-
Trade payables		**65,076,020**	8,237,538
Due to a related party	13	**-**	2,692,455
Accrued expenses and other current liabilities	19	**290,412,937**	218,466,951
Zakat and income tax provision	20	**23,833,796**	11,286,669
Total current liabilities		**1,131,501,478**	785,753,256
Liabilities from discontinued operations	26	**44,472**	1,890,498
Total liabilities		**3,428,660,339**	1,821,282,540
TOTAL EQUITY AND LIABILITIES		**4,545,373,702**	2,642,242,678

Chairman of Board of Directors	**Chief Executive Officer**	**Chief Financial Officer**
Abdul Ellah Al Khereiji	Mohamad Al Khereiji	Nicolas Bou Habib

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

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(SAUDI RIYAL)

	Notes	2023	2022
Continuing operations			
Revenues	6 , 21	**1,279,860,653**	1,126,182,377
Cost of revenues	21	**(681,689,264)**	(639,192,896)
Gross profit		**598,171,389**	486,989,481
Selling and marketing expenses	22	**(54,599,945)**	(46,324,421)
General and administrative expenses	23	**(81,049,976)**	(49,402,467)
Expected credit losses	12	**(10,754,260)**	(7,302,242)
Operating profit		**451,767,208**	383,960,351
Finance costs	24	**(114,366,318)**	(55,204,826)
Share of results of an associate	10	**7,391,080**	-
Losses from disposal of right-of-use assets	8	-	(24,357,154)
Other revenues / (expenses), net	25	**174,766**	(8,536,171)
Profit before zakat and income tax from continuing operations		**344,966,736**	295,862,200
Zakat and income tax	20	**(23,784,966)**	(11,379,987)
Profit for the year from continuing operations		**321,181,770**	284,482,213
Discontinued operations			
Loss for the year from discontinued operations	26	**(2,213,194)**	(9,089,313)
Profit for the year		**318,968,576**	275,392,900
Profit for the year attributable to:			
Equity holders of the parent company		**318,237,426**	274,699,804
Non-controlling interests		**731,150**	693,096
		318,968,576	275,392,900
Basic and diluted earnings per share:			
Earnings per share attributable to equity holders of the parent company	29	**6.36**	5.49
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(4,136,564)**	(500,985)
Total items that may be reclassified subsequently to profit or loss		**(4,136,564)**	(500,985)
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive loss of an associate	10	**(27,988)**	-
Remeasurements of employees' defined benefits obligations	17	**(1,041,054)**	2,393,450
Total items that will not be reclassified subsequently to profit or loss		**(1,069,042)**	2,393,450
Total (other comprehensive loss) / other comprehensive income for the year		**(5,205,606)**	1,892,465
Total comprehensive income for the year		**313,762,970**	277,285,365
Total comprehensive income for the year attributable to:			
Equity holders of the parent company		**313,273,406**	276,592,269
Non-controlling interests		**489,564**	693,096
		313,762,970	277,285,365

Chairman of Board of Directors	**Chief Executive Officer**	**Chief Financial Officer**
Abdul Ellah Al Khereiji	Mohamad Al Khereiji	Nicolas Bou Habib

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

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOILDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
(SAUDI RIYAL)

	Share capital	Reserves	Retained earnings	Foreign currency translation reserve	Total equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Balance as at January 1, 2022	500,000,000	45,565,791	185,712,800	-	731,278,591	-	731,278,591
Profit for the year	-	-	274,699,804	-	274,699,804	693,096	275,392,900
Other comprehensive income for the year	-	-	2,393,450	(500,985)	1,892,465	-	1,892,465
Total comprehensive income for the year	-	-	277,093,254	(500,985)	276,592,269	693,096	277,285,365
Dividends (Note 27)	-	-	(188,000,000)	-	(188,000,000)	-	(188,000,000)
Change in non-controlling interests	-	-	-	-	-	396,182	396,182
Transferred to reserves	-	27,469,980	(27,469,980)	-	-	-	-
Balance as at December 31, 2022	500,000,000	73,035,771	247,336,074	(500,985)	819,870,860	1,089,278	820,960,138
Balance as at January 1, 2023	**500,000,000**	**73,035,771**	**247,336,074**	**(500,985)**	**819,870,860**	**1,089,278**	**820,960,138**
Profit for the year	-	-	**318,237,426**	-	**318,237,426**	**731,150**	**318,968,576**
Other comprehensive loss for the year	-	-	**(1,069,042)**	**(3,894,978)**	**(4,964,020)**	**(241,586)**	**(5,205,606)**
Total comprehensive income for the year	-	-	**317,168,384**	**(3,894,978)**	**313,273,406**	**489,564**	**313,762,970**
Dividends (Note 27)	-	-	**(20,000,000)**	-	**(20,000,000)**	-	**(20,000,000)**
Change in non-controlling interests	-	-	-	-	-	**1,990,255**	**1,990,255**
Balance as at December 31, 2023	**500,000,000**	**73,035,771**	**544,504,458**	**(4,395,963)**	**1,113,144,266**	**3,569,097**	**1,116,713,363**

Chairman of Board of Directors
Abdul Ellah Al Khereiji

Chief Executive Officer
Mohamad Al Khereiji

Chief Financial Officer
Nicolas Bou Habib

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

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMNT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SAUDI RIYAL)

	2023	2022
OPERATING ACTIVITIES:		
Profit before zakat and income tax from continuing operations	**344,966,736**	295,862,200
Loss for the year from discontinued operations	**(2,213,194)**	(9,089,313)
Adjustments:		
Depreciation of property, plant and equipment	**37,820,471**	31,511,108
Depreciation of right-of-use assets	**440,237,532**	420,924,809
Share of results of an associate	**(7,391,080)**	-
Expected credit losses	**10,754,260**	7,302,242
Impairment losses on other current assets	**3,000,000**	-
Provision for slow-moving inventories	**864,464**	112,500
Loss from disposal of property, plant and equipment	**932,921**	8,688,285
Current service cost of employees' defined benefits obligations	**2,129,655**	1,737,561
Finance costs related to employees' defined benefits obligations	**604,278**	547,333
Finance costs related to short-term loans and long-term Murabaha	**44,483,489**	13,200,658
Finance costs related to lease liabilities	**69,278,551**	41,456,835
Gain from adjustments of lease liabilities	**(195,958)**	-
Loss from disposal of right-of-use assets	-	24,357,154
Changes in working capital:		
Inventories	**(678,446)**	(2,679,707)
Trade receivables	**(270,229,274)**	(215,626,217)
Prepaid expenses and other current assets	**(400,617,834)**	(54,676,836)
Due from / to related parties	**(5,103,720)**	2,692,455
Contracts liabilities	**3,692,060**	-
Trade payables	**98,978,583**	3,607,335
Accrued expenses and other current liabilities	**(12,326,946)**	(54,054,490)
Change in net assets of discontinued operations	**2,255,587**	(2,594,319)
Cash generated from operations	**361,242,135**	513,279,593
Employees' defined benefits obligations paid	**(1,501,091)**	(1,293,587)
Zakat and income tax paid	**(11,987,838)**	(11,390,207)
Net cash flows from operating activities	**347,753,206**	500,595,799
INVESTING ACTIVITIES:		
Additions to property, plant and equipment	**(83,465,283)**	(49,138,008)
Proceeds from sale of property, plant and equipment	**72,765**	194,278
Payment for acquisition of subsidiary, net of cash acquired	**(1,034,375,405)**	-
Net cash flows used in investing activities	**(1,117,767,923)**	(48,943,730)
FINANCING ACTIVITIES:		
Proceeds from short-term loans and long-term Murabaha	**1,468,000,000**	348,915,747
Repayment of short-term loans	**(348,915,747)**	(447,866,523)
Lease liabilities paid	**(211,827,623)**	(260,545,470)
Finance costs paid	**(30,474,525)**	(8,563,703)
Net change in non-controlling interests	**1,990,255**	396,182
Dividends paid	**(47,043,652)**	(158,000,000)
Net cash flows from / (used in) financing activities	**831,728,708**	(525,663,767)
Net change in cash and cash equivalents during the year	**61,713,991**	(74,011,698)
Foreign currency translation adjustment	**(2,986,221)**	(543,291)
Cash and cash equivalents at the beginning of the year	**115,354,538**	189,909,527
Cash and cash equivalents at the end of the year	**174,082,308**	115,354,538
Non-cash transactions:		
Additions to right-of-use assets and lease liabilities	**299,621,938**	1,045,787,001
Amortization of lease liabilities into accrued expenses	**(100,807,689)**	(109,106,170)
Absorption of prepaid expenses into lease liabilities	**63,164,501**	221,005,895
Accrued finance costs	**18,645,919**	4,636,955
Accrued dividends	**2,956,348**	30,000,000
Property, plant and equipment disposed and subsequently added	-	10,070,680
Net total transferred to discontinued operations	-	2,607,183

Refer to Note (1) for non-cash transactions related to the acquisition

Chairman of Board of Directors	**Chief Executive Officer**	**Chief Financial Officer**
Abdul Ellah Al Khereiji	Mohamad Al Khereiji	Nicolas Bou Habib

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

1- CORPORATE INFORMATION OF THE GROUP

Arabian Contracting Services Company is a Saudi Joint Stock Company - (the "Company") registered in Riyadh on Jumada Al-Ula 18, 1403 H (corresponding to March 3, 1983) under commercial register number 1010048419.

The head office of the Company is located in Riyadh - Kingdom of Saudi Arabia, P.O. Box: 55905, Postal Code: 11544.

The activities of the Company consist of general construction of residential buildings, construction of roads, streets, sidewalks and road supplies, construction of bridges and tunnels, construction of railways, pouring bases and foundations, laying electrical wires and laying communication wires.

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

These accompanying consolidated financial statements include the results of the business, assets, liabilities, and activities of the Company and its following branches. The details of these branches are as follows:

Branch name	Location	Activity of the branch	Commercial register number
Raweyah Printing Press Arabian Company Factory	Riyadh	Printing and printing of advertisements, posters and media flyers, gravure and photo engraving on metal or plastic boards	1010057812
Arabian Contracting Services Company	Riyadh	Publicity and advertisement entities and agencies	1010062303
Ain Al Arabia Company for Advertising and Publicity	Riyadh	Publicity and advertisement entities and agencies, organization and management of exhibitions and conferences, wholesale of gifts and luxuries	1010500526
Arabian Contracting Services	Jeddah	Publicity and advertisement entities and agencies	4030058296
Raweyah Printing Press Arabian Company Factory	Jeddah	Printing, printing of books, printing of advertisements, posters, and media flyers, printing of commercial stationery correspondence papers and invoices, printing using copiers, engraving and photo engraving on metal or plastic panels and bookbinding	4030275525

1- CORPORATE INFORMATION OF THE GROUP (CONTINUED)

Acquisition of a subsidiary – Faden Agency Media and Advertising Company

The Group's Board of Directors resolved on Rabi' Al Awwal 15, 1444 H (corresponding to October 11, 2022) to approve a purchase agreement on the acquisition of the entire shares of Faden Agency Media and Advertising Company (A One-Person Limited Liability Company) with a share capital amounting to SR 25 million. The total value of the acquisition deal amounts to SR 1,050,000,000. Accordingly, the Group signed on July 31, 2023 a sale and purchase agreement for the shares of Faden Agency Media and Advertising Company. All procedures related to the acquisition deal were completed on October 31, 2023 and the economic rights and obligations will be accounted for commencing from November 1, 2023.

The activities of Faden Agency Media and Advertising Company consist of advertising entities and agencies, providing marketing services on behalf of others, and installing and assembling neon signs.

The Group has concluded the acquisition as a business as per IFRS 3 "Business Combinations" and accordingly accounted for the business combination using the acquisition method as per IFRS 3 "Business Combinations" with the Arabian Contracting Services Company being the acquirer (the "acquirer") and Faden Agency Media and Advertising Company as the acquiree (the "acquiree"). The Group has engaged with an independent expert to determine the fair value of the assets and liabilities of Faden Agency Media and Advertising Company as part of the initial purchase price allocation exercise.

The acquirer has initially recognized in the consolidated financial statements the provisional amounts for incomplete items and has recognized additional assets and liabilities according to the information about facts and circumstances which was obtained initially from the independent expert and the acquirer is expected to retrospectively adjust provisional amounts recognized at the date of acquisition to reflect any additional information which will be obtained from the facts and circumstances that existed at the date of the acquisition and, if known, would have affected the measurement of the amounts recognised as of that date and during the measurement period. The measurement period is defined as one year from the acquisition date. The new information that will be obtained during the measurement period may possibly result in adjusting the provisional amounts for more than one asset or liability.

The intangible assets and goodwill recognized is primarily attributed to the expected combination and other benefits from combining the assets and activities of Faden Agency Media and Advertising Company with the assets and activities of the Group.

Below is the fair value of identifiable assets and liabilities as at the date of acquisition:

	(Saudi Riyal)
Assets	
Cash and cash equivalents	**15,624,595**
Trade receivables	**50,347,746**
Prepaid expenses and other current assets	**20,193,532**
Investment in an associate (Note 10)	**290,700,000**
Right-of-use assets (Note 8)	**368,155,332**
Property, plant and equipment (Note 7)	**38,755,058**
Total Assets	**783,776,263**
Liabilities	
Trade payables	**42,140,101**
Accrued expenses and other current liabilities	**43,458,091**
Lease liabilities (Note 8)	**391,734,845**
Long-term loans	**9,602,608**
Zakat provision (Note 20)	**749,999**
Employees' defined benefits obligations (Note 17)	**3,366,544**
Total Liabilities	**491,052,188**
Net identifiable assets as at the date of acquisition	**292,724,075**
Intangible assets arising from acquisition (Note 9)	**228,390,337**
Goodwill arising from acquisition (Note 9)	**528,885,588**
Purchase consideration	**1,050,000,000**

1- CORPORATE INFORMATION OF THE GROUP (CONTINUED)

Acquisition of a subsidiary – Faden Agency Media and Advertising Company *(continued)*

From the date of acquisition, Faden Agency Media and Advertising Company has contributed an amount of SR 24,112,949 from the revenues and an amount of SR 14,152,114 from profit for the year from continuing operations. If the acquisition had occurred at the beginning of the year, revenues would have been an amount of SR 135,153,172 and the profit for the year from continuing operations would have been an amount of SR 20,998,306.

Acquisition related costs with an amount of SR 10,365,652 were included in the consolidated statement of comprehensive income.

Below is an analysis of cash flows arising from acquisition:

	(Saudi Riyal)
Purchase consideration	**1,050,000,000**
Transaction costs of the acquisition (included in the cash flows from operating activities)	**(10,365,652)**
Net cash acquired from the subsidiary (included in cash flows from investing activities)	**(15,624,595)**
Net cash flows arising from acquisition	**1,024,009,753**

Intangible assets arising from acquisition

Below are intangible assets recognized along with valuation methodology used to measure fair value:

Intangible assets	Fair value at date of acquisition	Valuation methodology used
Licenses	228,390,337	Multi-period excess earnings method (MEEM)
Total	**228,390,337**	

2- BASIS OF PREPARATION

2-1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as “IFRSs endorsed in KSA”).

2-2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis unless the IFRSs require the use of another basis of measurement as stated in the material accounting policies information applied in Note (4). In addition, these consolidated financial statements are prepared using accrual basis of accounting and going concern concept.

2-3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR), which is the Group’s functional and presentation currency. All amounts are rounded off to nearest Saudi Riyal unless otherwise indicated.

2-4 Devaluation of Egyptian currency

During the year ended December 31, 2023, the Egyptian pound recorded an average of 19.91% devaluation in rate against the Saudi Riyal (December 31, 2022: 36.07%). As a result, currency translation adjustment has been recorded in relation to the translation of foreign operations in Egypt.

2- BASIS OF PREPARATION (CONTINUED)

2-5 Basis of consolidation

The consolidated financial statements include the financial statements of the Group and entities controlled by the Company and its subsidiaries as at the reporting date.

Control is achieved when the Group:
- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Group, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous stakeholders' meetings.

The process of consolidating the financial statements of a subsidiary begins when the Group gains control over the subsidiary and ceases when the Group loses control of the subsidiary. In particular, the revenues and expenses of the subsidiary acquired, disposed of or sold during the year are included in the consolidated statement of comprehensive income from the date the Group obtains control until the date that the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is recorded in the consolidated statement of changes in equity.

The consolidated statement of comprehensive income and each component of consolidated other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the consolidated non-controlling interests having a deficit balance.

If the Group loses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in the consolidated statement of comprehensive income.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their material accounting policies information in line with the Group's material accounting policies information.

All intergroup assets and liabilities, equity, revenues, expenses and cash flows relating to transactions between members of the Group are eliminated in upon consolidating the financial statements.

2- BASIS OF PREPARATION (CONTINUED)

2-5 Basis of consolidation (continued)

The accompanying consolidated financial statements as at December 31, 2023 include the accounts of the Company and its subsidiaries (collectively referred to as the "Group"). The details of these subsidiaries are as follows:

Subsidiary name	Country of incorporation	Activity of the subsidiary	Ownership % 2023	Ownership % 2022
Al-Arabia Out of Home Advertising FZ - LLC (A)	UAE	Media and marketing services, outdoor advertising activities	**100**	100
Al-Taer Al-Arabi Trading Company a One Person Company (under liquidation) (B)	KSA	Storage, wholesaling on a fee or contract basis, wholesale of other household goods, retailing by mail order fulfillment houses or via the internet	**100**	100
Arabian United Company for Advertising Services (C)	Egypt	Publicity and advertising by all audio, print and visual means, supplying, installing and operating digital screens, project management	**49.99**	**49.99**
Faden Agency Media and Advertising Company (D)	KSA	Advertising entities and agencies, providing marketing services on behalf of others, and installing and assembling neon signs	**100**	**-**

(A) Al-Arabia Out of Home Advertising FZ – LLC – is a Limited Liability Company registered in the United Arab Emirates and it is a 100% owned subsidiary of the Company with a share capital of AED 100,000.

(B) Al-Taer Al-Arabi Trading Company (under liquidation) a One Person Limited Liability Company registered in the Kingdom of Saudi Arabia and it is a 100% owned subsidiary of the Company with a share capital of SR 50,000 (Refer to Note 26 and 32).

(C) Arabian United Company for Advertising Services is a Joint Stock Company registered in the Arab Republic of Egypt and it is a 49.99% owned subsidiary of the Company with a share capital of Egyptian Pounds 30,000,000. The subsidiary was consolidated by 49.99% due to the presence of control over the majority of the voting rights.

(D) Faden Agency Media and Advertising Company is a One Person Limited Liability Company registered in the Kingdom of Saudi Arabia and it is a 100% owned subsidiary of the Company with a share capital of SR 25,000,000 (Note 1).

2-6 Business combination and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the asset acquired or liabilities assumed as at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in the original contracts through the acquisition.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2- BASIS OF PREPARATION (CONTINUED)

2-6 Business combination and goodwill (continued)
Goodwill is initially measured as the excess of the purchase price over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of comprehensive income as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

3- MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying amounts of assets and liabilities that are difficult to obtain directly from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the changed estimates affect both current and future periods.

Other disclosures relating to the Group’s exposure to risks and uncertainties include:
- Sensitivity analysis disclosures (Note 17)
- Financial instruments risk management (Note 30)

<u>3-1 Judgements</u>
In the process of applying the Group’s material accounting policies information, management has made the following judgements, which may have significant effect on the amounts recognised in the consolidated financial statements:

Leases - extension and termination options – Group as lessee
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within control.

<u>3-2 Estimates and assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the date of consolidated statement of financial position, that have a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. A change in circumstances, assumptions and future estimates may occur due to changes in the market or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The following are details of estimates and assumptions:

Calculation of expected credit losses
When measuring the expected credit losses, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future changes of different economic factors and how these factors will affect each other.

3- MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3-2 Estimates and assumptions *(continued)*

Calculation of expected credit losses *(continued)*
Expected credit losses are an estimate of the loss due to default. It is based on the difference between the contractual cash flows due and those that the debtor would expect to receive, taking into consideration the cash flows from guarantees and credit enhancements that form an integral part of the amounts due.

Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default during a certain period of time, in which its calculation is based on historical data, assumptions and expectations of future conditions.

Useful lives of property, plant and equipment and right-of-use assets
The Group determines the estimated useful lives of its property, plant and equipment and right-of-use assets for the purpose of calculating depreciation. These estimates are determined after considering the expected usage of the asset or physical wear and tear from usage. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where the management believes the useful lives differ from previous estimates.

Impairment of non-financial assets
At each statement of financial position date, non-financial assets (except biological assets measured at fair value, inventories and deferred tax assets) are reviewed to determine whether there are any circumstances that indicate an impairment loss has occurred or the impairment loss has reversed. If such indication exists, the recoverable amount of those assets is estimated to determine the amount of impairment loss or reversal of impairment loss, if any. The cash-generating unit to which goodwill is allocated to is tested for impairment annually or more frequently when there is an indication that the unit will be impaired. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis for distribution can be identified, the joint assets are allocated to the individual cash-generating units, or otherwise distributed to the smaller group of cash-generating units for which a reasonable and consistent basis of allocation can be identified. Intangible assets with indefinite useful lives, as well as intangible assets that are not yet available for use, are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to assets for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the assets (or cash-generating unit) is estimated to be below its carrying amount, the carrying amount of the assets (or cash-generating unit) is impaired to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the assets (or cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had the impairment loss of the assets (or cash-generating unit) has not been recognized in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income.

Right-of-use assets / Lease liabilities
The Group's management determines the discount rate based on the incremental borrowing rate, and at the end of each financial period, the Group reviews whether there is an impairment in the right-of-use or not, or if there are events or changes in circumstances indicating that the carrying amounts may not be recoverable.

Contingent liabilities
As stated in Note (28) of these consolidated financial statements, the Group is exposed to various contingent liabilities during the normal business cycle. Management regularly reviews the status of these exposures to assess the likelihood that the Group will incur the related liabilities. However, provisions are not made in the consolidated financial statements, based on management's assessment, except when a present obligation has occurred.

3- MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3-2 Estimates and assumptions *(continued)*

Discount rate used to determine the carrying amount of the employees' defined benefits obligations
The determination of the employees' defined benefits obligations depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's consolidated financial statements within the next financial year. Further information on the carrying amounts of the employees' defined benefits obligations and the sensitivity of those amounts to changes in discount rate are provided in Note (17).

Uncertain zakat and tax positions
The Group's current zakat and tax payable relates to management's assessment of the amount of zakat and tax payable on open zakat and tax positions where the final liabilities remain to be agreed with Zakat, Tax, and Customs Authority.

Due to the uncertainty associated with such zakat and tax items, it is possible that, on finalization of zakat assessments by Zakat, Tax, and Customs Authority at a future date, the final outcome may differ significantly. The status of zakat and tax assessments has been disclosed in Note (20).

4- MATERIAL ACCOUNTING POLICIES INFORMATION

The following are material accounting policies information applied by the Group in preparing these consolidated financial statements:

Current / non-current assets and liabilities classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is classified as current assets when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the date of the consolidated statement of financial position; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months from the date of the consolidated statement of financial position.

All other assets are classified as non-current assets.

A liability is classified as current liabilities when it is:
- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the date of the consolidated statement of financial position; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the date of the consolidated statement of financial position.

All other liabilities are classified as a non-current liabilities.

Fair value measurement
The Group measures financial instruments at fair value at the date of each consolidated statement of financial position.

Fair value is the price that would be received to sell assets or paid to transfer liabilities in an orderly transaction between market participants at the measurement date.

- The fair value measurement is based on the presumption that the transaction to sell assets or transfer liabilities takes place either:
- In the principal market for these assets or liabilities; or
- In the absence of a principal market, in the most advantageous market for the assets or liabilities.

The principal or the most advantageous market must be accessible by the Group.

4- MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Fair value measurement (continued)
The fair value of assets or a liabilities is measured using the assumptions that market participants would use when pricing the assets or liabilities, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial assets takes into considerations a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year.

Foreign currencies

Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date that the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate prevailing at the date of preparing the consolidated financial statements. All differences arising from settlement or transactions on monetary items are recorded in consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated primarily at the exchange rate prevailing at the date of the transactions. Non-monetary items in a foreign currency that are measured at fair value are translated at the currency rate prevailing at the date when their fair value was determined. Gains or losses arising from the translation of non-monetary items measured at fair value are treated in line with the recognition of gains and losses arising from a change in the fair value of that item. (i.e. translation differences for items whose fair value gains and losses are recognized in the consolidated statement of comprehensive income is recognized in other comprehensive income, and items whose fair value gains and losses are recognized in profit and losses are recognized in profit and losses).

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. Projects under construction and lands are not depreciated. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria is met. When significant parts of property, plant and equipment are replaced at certain intervals, the Group recognizes those parts as individual assets with a definite useful life and depreciation. All other repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Depreciation in years
Buildings	20
Fixed and motion advertising billboards	5-7
Motor vehicles	3-5
Furniture and fixtures	3-10
Machinery, devices and equipment	3-10

4- MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Property, plant and equipment (continued)
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statement of comprehensive income when the asset is derecognized.

The residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year and adjustments are made on a prospective basis, if required.

Projects under progress
Assets that are still in the construction or development stage are capitalized in the projects under progress account. An asset under construction or development is transferred to the appropriate category of property, plant and equipment when the asset is in the location and / or condition necessary to make it capable of operating as intended by management. The cost of projects under progress item consists of the purchase price, construction / development costs and any costs directly attributable to the construction of the asset or its acquisition by management.

The costs associated with the trial run of the asset (before it is ready for use) are capitalized net of proceeds from the sale of any production during the trial run period. Finance costs related to qualifying assets are capitalized as part of the cost of the qualifying assets until the start of commercial production. Projects under progress are measured at cost less any impairment recognized. Projects under progress are not depreciated. Depreciation begins when the assets are capable of economically operating as intended by management after they have been transferred to the appropriate class of assets.

Leases
The determination of whether an agreement represents or contains a lease depends on the substance of the agreement at the date of its inception. The agreement represents or includes a lease if its fulfillment is based on the use of a particular asset or assets, or the agreement grants the right to use a particular asset or assets even if that right is not expressly mentioned in the contract.

Right-of-use assets and lease liabilities
The Group has recognized new assets and liabilities for its operating leases of various types of contracts including advertising billboards sites, warehouses, and warehouse facilities, housing, office rentals, and others. Each lease payment is allocated between the liabilities and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease term so as to accomplish a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are measured at cost which comprise of the following:
- The amount of initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs, or renewal costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

Lease liabilities include (the net present value of the fixed lease payments) including in-substance fixed payments less any lease incentives receivable, variable lease payments that are based on an index or a rate, and amounts expected to be payable by the lessee under residual value guarantees. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, the lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management generally considers certain factors including historical lease durations and the costs of business disruption required to replace the leased asset.

4- MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Intangible assets
Intangible assets acquired separately are measured at initial recognition at cost. After initial recognition, intangible assets are stated at cost less any accumulated amortization and accumulated impairment losses, if any.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. When certain conditions are demonstrated, development expenditure that gives rise to an internally generated intangible asset is capitalized. Where no internally generated intangible asset can be recognised, development expenditure is recognised in the consolidated statement of comprehensive income in the period it is incurred.

Intangible assets are amortized over their useful economic life when the intangible assets have a finite useful life and impairment is assessed when there is an indication that their value may be impaired. The amortization period and the amortization method for intangible assets are reviewed if there is an indication of a change since the preparation of the last annual consolidated financial statements, and are subsequently modified, if necessary.

Intangible assets are amortized in the consolidated statement of comprehensive income in the expense category in line with the function of those intangible assets.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives as follows:

Category	Amortization in years
Licenses	7 - 15

When the useful life of intangible assets is indefinite, intangible assets are not amortized, rather, it is tested for impairment annually or when there is an indication that it is impaired.

The gain or loss resulting from derecognition of intangible assets is measured on the basis of the difference between the net disposal proceeds and the carrying amount of the intangible assets, and is recognized in the consolidated statement of comprehensive income when those intangible assets are derecognized.

Investments in associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group’s share of the revenues, expenses, and equity movements of equity accounted investees, after adjusting the accounting policies to align with the Group’s accounting policies, from the date that significant influence commences until the date that significant influence ceases.

When the Group’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment in an associate, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Impairment of non-financial assets
The Group assesses at the date of preparing the consolidated financial statements whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the fair value of the asset or cash-generating unit (CGU) less cost to sell or the value in use of the asset, whichever is higher.
It is specified for a single asset unless the asset generates cash flows that are not significant independent of the flows generated by assets or other groups of assets and when the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the value of the asset must be decreased to its recoverable amount.
In determining value in use, the future cash flows are deducted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks related to the asset. In determining fair value less costs to sell, new market transactions are considered, when available, or an appropriate valuation model is used. These values are verified by comparing them with the valuation multiples and the prices of the listed shares of the subsidiaries offered for public trading or through any other fair value indicators.
In calculating impairment, the Group relies on detailed budgets and discretionary accounts that are prepared separately for each cash-generating unit (CGU) of the Group to which the individual assets are allocated. These detailed budgets and discretionary accounts usually cover five years. To cover longer periods, a long-term growth rate is calculated and applied to the project's future cash flows after the fifth year.

4- MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Impairment of non-financial assets (continued)
Impairment losses from continuing operations are recognized in the consolidated statement of comprehensive income within the expenses appropriate to the function of the assets that have impaired.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses for non-financial assets, other than goodwill, no longer exist or have decreased. The reversal of the impairment loss is recognized in the consolidated statement of comprehensive income.

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

Trade receivables
Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After the initial measurement, in accordance with IFRS 9 "Financial Instruments", these financial assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is calculated by taking into consideration any discount or premium on acquisition, fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortization is included in the consolidated statement of comprehensive income. The losses arising from impairment are included in the consolidated statement of comprehensive income.

Contract assets and liabilities
When one of the parties to a contract performs, the Group shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, based on the relationship between the Group's performance and the customer's payment. Contract assets represent the Group's right to compensation for services that the Group has transferred to the customer. Contract liabilities represent the Group's obligation to transfer services to the customer, for which the Group has received consideration (or consideration is due) from the customer.

Transactions with related parties
Related parties represent all affiliates, major shareholders, directors and senior management of the Group and include those companies controlled, jointly controlled or influenced by those related parties.

Prepaid expenses and other current assets
Prepaid expenses and other current assets are recognized in the value of amounts paid to service suppliers for services that will be received in the future, or in the value of amounts that have been paid to third parties and will be recovered in the future.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, which are not exposed to risks of significant changes in value.

Financial assets

Initial recognition and measurement
Financial assets are classified on initial recognition as being subsequently measured at amortized cost, or at fair value through other comprehensive income, or at fair value through profit or loss. All financial assets are recognized on initial recognition at fair value plus transaction costs, unless the financial assets are recorded at fair value through profit or loss.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification, as described below:

Financial assets at amortized cost
After initial measurement, those financial assets are measured at amortized value using the effective interest rate method and are subject to impairment. Gains or losses are recognized in the consolidated statement of comprehensive income when the asset is disposed of, or modifications are made, or impaired.

Financial assets at amortized cost in the Group consist of cash and cash equivalents and trade receivables.

4- MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Financial assets (continued)

Derecognition of financial assets
Financial assets are derecognised only when:

- Contractual rights in the cash flows of a financial asset expire; or
- The Group has transferred its rights to receive cash flows from the asset or has committed to pay the cash flows in full without delay to a third party through a “transfer” agreement, and whether (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained a substantially all the risks and rewards of the asset, but it has transferred its right to control it.
- If the Group has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it assesses to what extent it retains the risks and rewards associated with the asset. An asset is recognized to the extent that the Group's relationship with it continues if it has neither transferred nor retained all the risks and rewards associated with the asset nor transferred its right to control it. In that case, the Group also recognizes the liabilities associated to that assets. The transferred asset and associated liabilities are measured on a basis that reflects the rights and obligations that the Group has retained.
- Continuing relationship that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount that the Group can be required to pay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses for all debt instruments not carried at fair value through profit or loss.

The allowance for expected credit losses is recognized in two stages. For a credit exposure that has not experienced a significant increase in credit risk since initial recognition, expected credit losses are recognized for the credit risk arising from a potential default within 12 months (12-month expected credit losses). For a credit exposure that has experienced a significant increase in credit risk since the initial recognition, an allowance for expected credit losses must be recognized over the remaining life of the exposure, regardless of the timing of default (lifetime expected credit losses).

For trade receivables, the Group applies a simplified approach to the calculation of expected credit losses. Therefore, the Group has used a provision matrix that is based on its historical experience of credit losses, which has been adjusted for future factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified on initial recognition, as financial liabilities at fair value through profit or loss, or loans and trade payables, or as financial derivatives that are used as hedging instruments for covering risks.

All financial liabilities are initially recognized at fair value and in the case of loans, advances and trade payables, net of directly attributable transaction costs.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and advances
After initial recognition, loans and advances are measured at amortized cost using the effective interest rate method. The gains or losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognised, as well as through the process of amortizing the effective interest rate.

Derecognition of financial liabilities
Financial liabilities are derecognised when the obligation is paid, canceled or the obligation under the contract expires.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

4- MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Employees' defined benefits obligations
The employees' defined benefit cost is determined by defined benefit programs separately for each program using the projected unit credit method.

The remeasurement, which consists of actuarial gains and losses, is recognized immediately in the consolidated statement of financial position and within the retained earnings through other comprehensive income in the period in which they occur. The remeasurement is not reclassified to the consolidated statement of comprehensive income in subsequent periods

End of service payments are mainly based on the employees' final salaries, allowances and accumulated years of service, as defined by the labor law in the Kingdom of Saudi Arabia.

Trade payables
These amounts represent liabilities related to goods and services provided to the Group before the end of the financial year that have not been paid, and are considered unsecured. Trade payables and payment notes are presented as current liabilities unless payment is not due within 12 months after the date of consolidated statement of financial position, and are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest rate method.

Accrued expenses and other current liabilities
Accrued expenses and other current liabilities are obligations to pay for goods or services that have been received or provided, whether or not invoices have been submitted or formally agreed with the supplier.

Borrowing costs
Borrowing costs associated directly with the acquisition or establishing or producing an asset that necessarily takes a substantial period to get ready for its intended use or sale are recognized as part of the cost of the respective asset. All other costs are recorded as expenses in the period in which they are due. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Value added tax
Revenues, expenses and assets are recognized net of the amount of value added tax, except for the following:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of assets or as part of the expenses item, as applicable.
- Trade receivables and trade payables are stated including the amount of value added tax.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other current assets or other current liabilities in the consolidated statement of financial position.

4- MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to the provision is presented in the consolidated statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows using a current pre-tax rate that reflects, when appropriate, current market assessments of the time value of money and the risks specific to the liability. The increase in the discount is recognized as a finance cost.

Zakat and income tax provision

The zakat and income tax provision is calculated in accordance with the regulations of the Zakat, Tax, and Customs Authority (ZATCA) at the end of each financial year. The zakat and income tax provision is recorded at the end of the financial year within the items of consolidated statement of comprehensive income, and the differences resulting from the final assessment are recognized within the same item in the year in which the zakat and income tax assessment is approved.

Revenue recognition

The Group recognizes revenue in accordance with contract terms and accrual basis when providing services to customers. The Group's revenues mainly consist of renting road advertising billboards, media advertisements and fixed art billboards.

Revenue from contracts with customers is recognized upon fulfilling the performance obligations for the services provided to the customer for the value that reflects the consideration that the Group expects to receive in exchange for this performance.

The Group applies revenue from contracts entered into with customers based on a five-step model as described in IFRS 15:

Step 1: Defining the contract with the customer: The contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and specifies the criteria that must be fulfilled.

Step 2: Defining performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determination of the transaction price: The transaction price is the amount of consideration that the Group expects to receive in exchange for transferring the agreed goods or services to the customer, except for the amounts collected on behalf of third parties.

Step 4: Allocating the transaction price to the performance obligations in the contract: For a contract that contains more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expect to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when the Group satisfies the performance obligation.

Revenues from road advertising and services rendered is recorded as revenue at a point in time at which the service is provided. Performance obligations are satisfied and revenue from advertising billboard rental and services are recognized when displaying advertising materials to customers on advertising billboards of the agreed contracts on a "ready-to-ready" basis. Performance obligations are ready obligations and are usually agreed upon that the nature of the promise in a ready obligation is that the customer will receive a good or service.

Discount given to customers

The Group provides a discount for some customers when the value of contracts executed during the period exceeds a certain amount in the contract. Such discounts are netted off the amounts receivable from the customer. The Group applies the requirements for the recognition of variable consideration estimates and recognizes a refund liability for expected future discounts.

Other income

Other income is recognized when earned.

4- MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

Discontinued operations

A disposal group is considered to qualify as a discontinued operation if it is a component of the disposal entity as follows:

- Represents a separate major business activity or geographic area of operations.
- It is part of a single coordinated plan to sell the independent principal business or geographic area of operations.
- An acquired subsidiary for the sole purpose of being sold.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount representing after-tax profit or loss from discontinued operations in the consolidated statement of comprehensive income.

Cost of revenues and expenses

Costs that are directly attributable to the goods or services provided are classified as cost of revenues. Selling and marketing expenses principally comprise of costs incurred in the selling and marketing of the Group's products and services. Other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect expenses that are not directly related to cost of revenues in accordance with generally accepted accounting standards. Expenses are allocated, if necessary, between general and administrative expenses and cost of revenues on a consistent basis.

Dividends

Dividends are recorded as a liability when approved at the annual General Assembly meeting of the Group.

Contingent liabilities

Contingent liabilities are disclosed when the Group has a contingent liability as a result of past events, in which its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Subsequent events

Consolidated financial statements are affected by subsequent events that require an adjustment to the consolidated financial statements while subsequent events that do not require an adjustment to the consolidated financial statements are disclosed.

5- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

5-1 The Group has adopted the following new standards and amendments for the first time that are effective from January 1, 2023:

5-1-1 Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"
The amendments require that an entity discloses its material accounting policies information, instead of its significant accounting policies.

5-1-2 Amendments to IAS 8 "Definition of Accounting Estimates"
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not a correction of an error.

5-1-3 Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The adoption of above amendments does not have any material impact on the consolidated financial statements during the year.

5-2 Standards issued but not yet effective
Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2024 and earlier application is permitted, however the Group has not early adopted them in preparing these consolidated financial statements:

5-2-1 Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" and "Non-current Liabilities with Covenants"
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

5-2-2 Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"
The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

5-2-3 Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

5-2-4 Amendments to IAS 21 "Lack of Exchangeability"
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

5-3 Following are the new issued IFRS sustainability disclosures effective for annual periods beginning on or after January 1, 2024:

5-3-1 IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information"
IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

5-3-2 IFRS S2 "Climate-related Disclosures"
IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

6- OPERATING SEGMENTS

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

Basis of division

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

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

Segment reports	Operations / Activity
Advertising segment	Indoor and outdoor advertisements
Others	All types of printing work and retail sales by mail

Information on segment reporting

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

	(Saudi Riyal)				
For the year ended December 31, 2023	**Advertising segment**	**Others**	**Total segments**	**Reconciliation and elimination**	**Consolidated**
Revenues					
Customers	**1,253,261,853**	**26,598,800**	**1,279,860,653**	**-**	**1,279,860,653**
Transactions between segments	**-**	**11,451,951**	**11,451,951**	**(11,451,951)**	**-**
Total revenues	**1,253,261,853**	**38,050,751**	**1,291,312,604**	**(11,451,951)**	**1,279,860,653**
Depreciation and amortization	**474,972,318**	**3,085,685**	**478,058,003**	**-**	**478,058,003**
Profit of the year	**312,283,580**	**6,684,996**	**318,968,576**	**2,213,194**	**321,181,770**

	(Saudi Riyal)				
For the year ended December 31, 2022	**Advertising segment**	**Others**	**Total segments**	**Reconciliation and elimination**	**Consolidated**
Revenues					
Customers	1,106,212,094	20,146,707	1,126,358,801	(176,424)	1,126,182,377
Transactions between segments	-	12,887,797	12,887,797	(12,887,797)	-
Total revenues	1,106,212,094	33,034,504	1,139,246,598	(13,064,221)	1,126,182,377
Depreciation and amortization	449,086,628	4,892,606	453,979,234	(1,543,317)	452,435,917
Profit of the year	280,464,716	(5,071,816)	275,392,900	9,089,313	284,482,213

6- OPERATING SEGMENTS (CONTINUED)

Information on segment reporting (continued)

Disclosure of information related to the net carrying amounts of property, plant and equipment, right-of-use assets, total assets, and total liabilities in these segments is impractical, as no segment has achieved the limits mentioned in IFRS 8 “Operating Segments” to disclose its geographical information, except for the advertising segment, which represents the largest portion of this information.

The activities of the Company and its subsidiaries are mainly concentrated in the Kingdom of Saudi Arabia and the Arab Republic of Egypt. Below is a summary of some financial information for each geographic region separately:

	(Saudi Riyal)	
Geographic information	**2023**	2022
Revenues from customers		
Kingdom of Saudi Arabia	**1,245,801,487**	1,099,434,829
Arab Republic of Egypt	**34,059,166**	26,747,548
Total (Note 21)	**1,279,860,653**	1,126,182,377

Revenues between segments and between business units are eliminated upon consolidation, and shown in the “reconciliation and elimination” column. The Group’s management monitors the operating results of its business units separately for the purpose of decision-making about resource allocation and performance assessment. Segment performance is measured and evaluated on the basis of consolidated statement of comprehensive income.

7- PROPERTY, PLANT AND EQUIPMENT

	(Saudi Riyal)							
	Land	**Buildings (*)**	**Fixed and motion advertising billboards**	**Motor vehicles**	**Furniture and fixtures**	**Machinery, devices and equipment**	**Projects under progress (**)**	**Total**
Cost:								
As at January 1, 2022	1,358,770	16,876,105	191,820,532	8,491,417	5,127,503	37,126,355	44,750,062	305,550,744
Additions	-	-	4,850,576	2,778,724	1,109,852	1,036,605	49,432,931	59,208,688
Disposals	-	-	(29,719,464)	(1,014,748)	(17,640)	(7,942,638)	-	(38,694,490)
Transferred from projects under progress	-	-	57,438,711	-	-	-	(57,438,711)	-
Foreign currencies translation adjustment	-	225	-	355	165	-	-	745
Transferred to discontinued operations	-	-	-	(221,500)	(341,507)	-	(2,125,754)	(2,688,761)
As at December 31, 2022	1,358,770	16,876,330	224,390,355	10,034,248	5,878,373	30,220,322	34,618,528	323,376,926
Additions	**-**	**130,000**	**36,897,763**	**362,000**	**477,506**	**672,987**	**44,925,027**	**83,465,283**
Disposals	**-**	**-**	**(7,091,045)**	**(456,968)**	**-**	**(617,696)**	**-**	**(8,165,709)**
Transferred from projects under progress	**-**	**-**	**21,508,067**	**-**	**-**	**-**	**(21,508,067)**	**-**
Acquisition of subsidiary	**-**	**-**	**52,132,242**	**253,950**	**2,907,036**	**-**	**10,045,008**	**65,338,236**
Foreign currencies translation adjustment	**-**	**-**	**(944,820)**	**-**	**(15,620)**	**(3,692)**	**-**	**(964,132)**
As at December 31, 2023	**1,358,770**	**17,006,330**	**326,892,562**	**10,193,230**	**9,247,295**	**30,271,921**	**68,080,496**	**463,050,604**
Accumulated depreciation:								
As at January 1, 2022	-	9,632,755	67,001,941	7,218,079	3,222,339	25,066,377	-	112,141,491
Charge for the year	-	656,858	26,944,882	870,283	495,175	2,543,910	-	31,511,108
Disposals	-	-	(10,857,439)	(1,011,494)	(17,289)	(7,855,025)	-	(19,741,247)
Foreign currencies translation adjustment	-	225	(40,593)	320	(2,158)	(439)	-	(42,645)
Transferred to discontinued operations	-	-	-	(34,222)	(44,526)	-	-	(78,748)
As at December 31, 2022	-	10,289,838	83,048,791	7,042,966	3,653,541	19,754,823	-	123,789,959
Charge for the year	-	**656,860**	**33,228,108**	**1,131,340**	**547,781**	**2,256,382**	-	**37,820,471**
Disposals	-	-	**(6,145,714)**	**(456,968)**	**-**	**(557,341)**	-	**(7,160,023)**
Acquisition of subsidiary	-	-	**23,795,335**	**59,262**	**2,728,581**	**-**	-	**26,583,178**
Foreign currencies translation adjustment	-	-	**(53,696)**	**83**	**(1,388)**	**(264)**	-	**(55,265)**
As at December 31, 2023	-	**10,946,698**	**133,872,824**	**7,776,683**	**6,928,515**	**21,453,600**	-	**180,978,320**
Net Book Value:								
December 31, 2023	**1,358,770**	**6,059,632**	**193,019,738**	**2,416,547**	**2,318,780**	**8,818,321**	**68,080,496**	**282,072,284**
December 31, 2022	1,358,770	6,586,492	141,341,564	2,991,282	2,224,832	10,465,499	34,618,528	199,586,967

7- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(*) The buildings are constructed on lands owned by the Group, as these buildings belong to the Group's labor housing.

(**) Projects under progress are billboards that are being manufactured and the expected additional value until its completion as at December 31, 2023 amount to SR 12,351,423 (December 31, 2022: SR 8,322,120) (Note 28).

The following is a list of the distribution of depreciation expenses related to property, plant and equipment during the year:

	(Saudi Riyal)	
	2023	2022
Cost of revenues (Note 21)	**37,058,558**	30,861,472
General and administrative expenses (Note 23)	**757,055**	570,888
Selling and marketing expenses (Note 22)	**4,858**	-
Discontinued operations	**-**	78,748
Total	**37,820,471**	31,511,108

8- RIGHT-OF-USE ASSETS / LEASE LIABILITIES

The rights-of-use assets have been measured at an amount equal to the lease liabilities and adjusted for the amounts of prepayments and accrued lease payments related to leases recognized in the consolidated statement of financial position.

	(Saudi Riyal)	
	2023	2022
Right-of-use assets		
Balance as at the beginning of the year	**2,322,130,961**	2,829,845,948
Additions during the year	**299,621,938**	1,045,787,001
Acquisition of subsidiary (Note 1)	**489,580,781**	-
Adjustments (A)	**(42,471,521)**	87,582,039
Disposals (B)	**(740,638,261)**	(1,641,084,027)
Balance as at the end of the year	**2,328,223,898**	2,322,130,961
Right-of-use assets accumulated depreciation		
Balance as at the beginning of the year	**876,183,957**	803,131,368
Depreciation	**443,918,842**	408,165,082
Acquisition of subsidiary (Note 1)	**121,425,449**	-
Adjustments (A)	**(3,681,310)**	12,759,727
Disposals (B)	**(740,638,261)**	(347,872,220)
Balance as at the end of the year	**697,208,677**	876,183,957
Net book value for right-of-use assets	**1,631,015,221**	1,445,947,004
Lease liabilities		
Balance as at the beginning of the year	**1,216,568,766**	1,901,255,078
Additions during the year	**299,621,938**	1,045,787,001
Acquisition of subsidiary (Note 1)	**391,734,845**	-
Adjustments (A)	**(42,667,479)**	87,582,039
Adjustments on finance costs (Note 24)	**8,340,070**	610,755
Disposals (B)	**-**	(1,268,854,652)
Adjustment of accrued rents (A)	**5,406,774**	(35,477,494)
	1,879,004,914	1,730,902,727
(Deduct) / add:		
Absorption of prepaid expenses (C)	**(63,164,501)**	(221,005,895)
Paid during the year	**(211,827,623)**	(260,545,470)
Finance costs (Note 24)	**60,938,481**	40,846,080
Amortization of accrued expenses (D)	**(106,214,463)**	(73,628,676)
Balance as at the end of the year	**1,558,736,808**	1,216,568,766
Current portion	**251,736,665**	196,153,896
Non-current portion	**1,307,000,143**	1,020,414,870
	1,558,736,808	1,216,568,766

8- RIGHT-OF-USE ASSETS / LEASE LIABILITIES (CONTINUED)

The depreciation expense related to right-of-use assets has been distributed as follows:

	(Saudi Riyal)	
	2023	2022
Cost of revenues (Note 21)	**438,370,172**	419,115,312
General and administrative expenses (Note 23)	**1,676,984**	1,619,161
Selling and marketing expenses (Note 22)	**190,376**	190,336
Total	**440,237,532**	420,924,809

(A) The adjustments to the right-of-use assets and lease liabilities during the year represent the additional term period that has been exercised by the Group after the expiry of the contractual period of some of the leases by agreeing with the lessor to determine the additional term period that the Group will exercise.

(B) As at December 31, 2023, disposals represent expired leases whose net book value is nil. During the year ended December 31, 2022, management has cancelled a contract with Jeddah Municipality, and the Municipality was informed about the termination of the contract from Arabian Contracting Services Company, which resulted in losses with an amount of SR 24.3 million.

(C) The Group agrees with the lessor to make an advance payment for leases that has been agreed with the lessor before the commencement date of the lease, and at the commencement date of the lease, these prepaid expenses are absorbed and reduced from the lease liabilities.

(D) The Group agrees with the lessor in the lease contract to make lease payments due only upon receipt of an invoice from the lessor. Accordingly, the Group records accrued expenses for the payments due which no invoices have been received from the lessor till date.

9- INTANGIBLE ASSETS AND GOODWILL

	(Saudi Riyal)		
	Intangible assets "Licenses"	**Goodwill**	**Total**
Acquisition of subsidiary (Note 1)	**228,390,337**	**528,885,588**	**757,275,925**
Balance as at the end of the year	**228,390,337**	**528,885,588**	**757,275,925**

This goodwill arose when acquiring the shares of Faden Agency Media and Advertising Company on October 31, 2023. This goodwill is allocated to the Group in its operating business segments.

10-INVESTMENT IN AN ASSOCIATE

The investment in an associate is in Wave Media and Advertising Company (A Closed Joint Stock Company) registered in the Kingdom of Saudi Arabia and is 42.50% owned by the Group. The Company carries out the activity of providing advertising and publicity services.

The movement in the investment in an associate for the years was as follows:

	(Saudi Riyal)	
	2023	2022
Acquisition of subsidiary (Note 1)	**290,700,000**	-
Share of profit or loss	**7,391,080**	-
Share of other comprehensive income	**(27,988)**	-
Balance as at the end of the year	**298,063,092**	-

10-INVESTMENT IN AN ASSOCIATE (CONTINUED)

	(Saudi Riyal)	
	2023	2022
Current assets	**517,282,908**	-
Non-current assets	**980,346,978**	-
Current liabilities	**(274,873,118)**	-
Non-current liabilities	**(872,592,403)**	-
Equity	**350,164,365**	-

The financial information disclosed below is as at December 31, 2023 and for the acquisition period:

	(Saudi Riyal)	
	2023	2022
Revenues	**33,038,509**	
Profit for the year	**17,390,777**	-
Share of results	**7,391,080**	-
Other comprehensive loss for the year	**(65,853)**	-
Share of other comprehensive loss	**(27,988)**	-

11-INVENTORIES

	(Saudi Riyal)	
	2023	2022
Paper and other materials	**13,324,941**	14,854,051
Consumable spare parts	**6,559,082**	4,351,526
Total	**19,884,023**	19,205,577
(Less): provision for slow-moving inventories	**(2,538,024)**	(1,673,560)
Net	**17,345,999**	17,532,017

The movement in the provision for slow-moving inventories during the year was as follows:

	(Saudi Riyal)	
	2023	2022
Balance as at the beginning of the year	**1,673,560**	1,561,060
Charge for the year	**864,464**	112,500
Balance as at the end of the year	**2,538,024**	1,673,560

12- TRADE RECEIVABLES

	(Saudi Riyal)	
	2023	2022
Trade receivables	**644,217,518**	543,428,901
Trade receivables - related parties (Note 13)	**216,253,120**	102,090,700
Contracts assets	**5,925,321**	-
(Less): expected credit losses	**(29,648,894)**	(17,899,804)
Net	**836,747,065**	627,619,797

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

	(Saudi Riyal)	
	2023	2022
Balance as at the beginning of the year	**17,899,804**	10,597,562
Acquisition of subsidiary	**994,830**	-
Charged during the year	**10,754,260**	7,302,242
Balance as at the end of the year	**29,648,894**	17,899,804

The credit period granted to customers ranges from 30 to 90 days, and no commissions are calculated on these accounts. The Group records impairment on trade receivables taking into consideration several factors including the aging of the receivables and the financial situation of customers, where available. The concentration of credit risk is limited due to the large and unrelated customer base (see Note (30) “Financial instruments risk management” regarding credit risk).

13- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

A related party is a person or an entity related to the Group, where a person is considered related if he has control or significant influence over the Group or is a member in key management. An entity is considered related if the entity and the Company are members of the same group as a parent company, subsidiary, associate, linked to a joint venture, or both entities are a joint venture for a third-party.

During the year, the Group has entered into transactions with the related parties described below. The terms of these transactions and expenses have been approved by the Group's management and it is within the Group's normal course of business.

Name of related party	Type of relationship
Engineer Holding Group Company	Shareholder
MBC Group Company	Shareholder
House of Skill Company for Contracting and Trading	Affiliate
National Signage Industrial Company	Affiliate
East Bridge Capital Company	Affiliate
SMC Advertising Company FZ - LLC	Affiliate
Elegant Hotel Company for Tourism and Hotels	Affiliate
Multaqa Al Zad Company for Tourism	Affiliate
Saudi Media Company for Advertising and Publicity	Affiliate
Elegant Restaurants Company	Affiliate
Green Box Trading Company	Affiliate
MBC Media Solutions Limited Company	Affiliate
Upscale Brands Food Company	Affiliate
MBC Company – FZ LLC	Affiliate
Mr. Hamdan Mohammad Obaid	Relationship with a subsidiary
Mawaqie Company for Advertising and Publicity	Affiliate
Prime Outdoor Company	Affiliate

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

		(Saudi Riyal)	
Related party name	**Nature of transaction**	**2023**	2022
Saudi Media Company for Advertising and Publicity	Sales	**190,163,069**	63,438,194
	Purchases	**(1,917,809)**	(5,534,459)
	Collections	**(76,713,264)**	(26,281,635)
	Bills payment	**-**	1,662,900
National Signage Industrial Company	Bills payment	**23,339,865**	26,600,479
	Advertising billboards cost	**(45,858,467)**	(32,508,638)
	Sales	**48,168**	2,524,528
	Collections	**(1,000,000)**	(1,112,420)
	Advance payments	**-**	10,023,701
Engineer Holding Group Company	Expenses paid on behalf	**(1,189,896)**	(2,697,606)
	Collections on behalf	**4,257,816**	-
	Bills payment	**-**	5,152
	Dividends paid	**35,500,000**	31,750,000
	Collections	**(14,645)**	-
	Sales	**29,289**	-
	Dividends	**(10,000,000)**	(61,750,000)
East Bridge Capital Company	Bills payment	**506,000**	-
	Purchases	**(7,314,000)**	-
MBC Group Company	Sales	**-**	8,749,789
	Expenses paid on behalf	**-**	(2,826,183)
	Collections	**-**	(10,695,508)
	Dividends	**(4,000,000)**	(9,149,400)

13- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The following are the significant transactions made with the related parties during the year (continued):

		(Saudi Riyal)	
Related party name	**Nature of transaction**	**2023**	2022
MBC Media Solutions Limited Company	Purchases	**(2,381,504)**	(17,774,603)
	Sales	**22,433,661**	28,070,434
	Bills payment	**3,709,311**	8,719,857
	Collections	**(21,000,000)**	-
MBC Company – FZ LLC	Transfers	**-**	2,826,183
	Collections	**(13,200,842)**	(8,445,508)
	Sales	**17,364,147**	8,749,789
Mawaqie Company for Advertising and Publicity	Payments	**20,700,000**	-
	Purchases	**(5,750,000)**	-
	Rental	**(18,400,000)**	-

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

	(Saudi Riyal)	
	2023	2022
Salaries, wages and rewards	**19,680,926**	18,856,507
Employees' defined benefits obligation (year-end balance)	**6,395,185**	5,826,275
Total	**26,076,111**	24,682,782

The movement in the defined benefits obligation for key management personnel during the year:

	(Saudi Riyal)	
	2023	2022
Balance as at the beginning of the year	**5,826,275**	5,309,644
Charge for the year	**568,910**	516,631
Balance as at the end of the year	**6,395,185**	5,826,275

Key management personnel include members of the board of directors, chief executive officer, chief financial officer, and executive managers as they have the authority and responsibility to plan, direct and control the Group's activities.

Trade receivables - related parties (Note 12)

	(Saudi Riyal)	
	2023	2022
Saudi Media Company for Advertising and Publicity	**188,009,274**	76,477,278
MBC Media Solutions Limited Company	**20,052,157**	17,290,689
MBC Company – FZ LLC	**4,467,586**	304,281
MBC Group Company	**2,832,942**	2,832,942
Multaqa Al Zad Company for Tourism	**628,454**	619,425
Green Box Trading Company	**130,610**	92,660
Elegant Hotel Company for Tourism and Hotels	**60,927**	255,680
House of Skill Company for Contracting and Trading	**48,704**	240,771
Upscale Brands Food Company	**22,466**	22,029
National Signage Industrial Company	**-**	3,938,685
Elegant Restaurants Company	**-**	16,260
Total	**216,253,120**	102,090,700

Advances to suppliers - related parties (Note 14)

	(Saudi Riyal)	
	2023	2022
National Signage Industrial Company	**-**	15,662,945
Total	**-**	15,662,945

Due from related parties represents the following:

	(Saudi Riyal)	
	2023	2022
Mr. Hamdan Mohammad Obaid	**1,531,500**	-
Mawaqie Company for Advertising and Publicity	**510,500**	-
Prime Outdoor Company	**369,265**	-
Total	**2,411,265**	-

13- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Other credit balances - related parties (Note 19)

	(Saudi Riyal)	
	2023	2022
East Bridge Capital Company	**6,808,000**	-
SMC Advertising Company FZ - LLC	**1,953,863**	1,953,863
House of Skill Company for Contracting and Trading	**-**	189,681
Total	**8,761,863**	2,143,544

Due to a related party represents the following:

	(Saudi Riyal)	
	2023	2022
Engineer Holding Group Company	**-**	2,692,455
Total	**-**	2,692,455

14- PREPAID EXPENSES AND OTHER CURRENT ASSETS

	(Saudi Riyal)	
	2023	2022
Prepaid rent of advertising billboards sites (*)	**461,424,856**	158,740,648
Value added tax	**48,874,591**	8,404,329
Advances to suppliers	**9,782,242**	26,218,975
Employee receivables and advances	**1,921,246**	1,841,966
Securing of bank guarantees and letter of credits (Note 28)	**837,722**	800,300
Advances to suppliers - related parties (Note 13)	**-**	15,662,945
Others	**26,136,682**	20,048,375
Total	**548,977,339**	231,717,538
Impairment loss on other current assets (**)	**(3,000,000)**	-
Net	**545,977,339**	231,717,538

(*) Includes lease payments for contracts that have not commenced yet in which the Group is committed against these contracts.

(**) The movement in the impairment loss of other current assets during the year was as follows:

	(Saudi Riyal)	
	2023	2022
Charged during the year (Note 23)	**3,000,000**	-
Balance as at the end of the year	**3,000,000**	-

15- CASH AND CASH EQUIVALENTS

	(Saudi Riyal)	
	2023	2022
Cash at banks	**173,298,397**	114,664,832
Cash on hand	**783,911**	689,706
Total	**174,082,308**	115,354,538

The Group deposits its cash in good rated banks. The Group's management does not believe that the expected credit losses on its bank balances are material.

16- RESERVES

In accordance with the Company’s Bylaws, the General Assembly determines the reserves to be distributed that shareholders previously resolved to set aside, including any reserves that were set aside in accordance with any regulatory requirements that precede the date of adopting of the Bylaws.

The new Companies Law issued through Royal Decree M/132 on Dhul Hijjah 1, 1443 H (corresponding to June 30, 2022) (hereinafter referred to as “the Law”) came into force on Jumada Al Thani 26, 1444 H (corresponding to January 19, 2023).

For certain provisions of the Law, full compliance is expected no later than two years from Jumada Al Thani 26, 1444 H (corresponding to January 19, 2023). Management evaluated the impact of the Law and amended the Bylaws to align it with the provisions of the Law.

16- RESERVES (CONTINUED)

Regarding not forming reserves, the group will present the future goal of the reserves to the shareholders in the general assembly meeting to take the appropriate decision in this regard.

17- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

The Group's policy states that employees' defined benefits obligations is payable to all employees who complete the qualifying service period under the labor law in the Kingdom of Saudi Arabia. The annual provision is based on the actuarial valuation. The latest actuarial valuation was carried out by an independent expert assigned by the Group's management, using the actuarial projected unit credit method as at December 31:

	(Saudi Riyal)	
	2023	2022
Balance as at the beginning of the year	**13,223,916**	14,627,805
Acquisition of subsidiary (Note 1)	**3,366,544**	-
Current service cost	**2,129,655**	1,737,561
Interest cost (Note 24)	**604,278**	547,333
Foreign currency translation adjustments	**(110)**	1,084
Re-measurement charged to other comprehensive income	**1,041,054**	(2,393,450)
Paid during the year	**(1,501,091)**	(1,293,587)
Transferred to discontinued operations	**-**	(2,830)
Balance as at the end of the year	**18,864,246**	13,223,916

Key actuarial assumptions used:

	2023	2022
Discount rate	**5.86%**	4.60%
Salary increase rate	**3.88%**	1.01%
Employee turnover	**Moderate**	Moderate
Retirement age	**60 years**	60 years

The sensitivity analysis of the main actuarial assumptions is as follows:

	(Saudi Riyal)	
	2023	2022
Discount Rate 1% (+/-)		
Increase	**14,906,152**	10,386,427
Decrease	**19,277,205**	13,741,389
Expected salary increase rate 1% (+/-)		
Increase	**19,394,750**	13,793,191
Decrease	**14,773,419**	10,323,810

Risks associated with employees' defined benefits obligations:

Salary increase risks:

The most common type of retirement benefit is the one in which benefits are connected to final salaries. The risk arises when the actual increases are higher than expected and therefore affect the obligation.

Withdrawal risks:

The actual withdrawal risk that varies with the valuation assumptions could pose a risk to the benefit obligations. The movement in the obligation can proceed in both directions.

18- SHORT-TERM LOANS AND LONG-TERM MURABAHA

18-1 Short-term loans

The Group has bank facilities in the form of short-term loans from local commercial banks. The short term loans as at December 31, 2023 amounts to SR 418,000,000 (December 31, 2022: SR 348,915,747). The short-term loans are subject to interest rates prevailing in Saudi banks plus an agreed profit margin. The carrying amount of the short-term loans is denominated in Saudi Riyal and is secured by promissory notes payable upon request.

18- SHORT-TERM LOANS AND LONG-TERM MURABAHA (CONTINUED)

18-1 Short-term loans (continued)

The movement in short-term loan is as follows:

	(Saudi Riyal)	
	2023	2022
Balance as at the beginning of the year	**348,915,747**	447,866,523
Proceeds during the year	**418,000,000**	348,915,747
Repayment during the year	**(348,915,747)**	(447,866,523)
Balance as at the end of the year	**418,000,000**	348,915,747

18-2 Long-term Murabaha

In October 2023, the Group obtained long-term Murabaha from a number of financial institutions in the Kingdom of Saudi Arabia to finance the acquisition deal (Note 1) with an amount of SR 1,050 million. The Murabaha is subject to the Saudi-Interbank Offered Rate (SAIBOR) plus a profit margin with a grace period of 6-months from date of signing the agreement. Installment payments are due on a quarterly basis with an amount of SR 26.5 million where the last installment will be paid in 2031 with an amount of SR 315 million. The agreement includes covenants to maintain certain levels of financial ratios. This agreement is secured by promissory notes issued by the Group CEO.

	(Saudi Riyal)	
	2023	2022
Proceeds during the year	**1,050,000,000**	-
Balance as at the end of the year	**1,050,000,000**	-

The details in long-term Murabaha for the year is as follows:

	(Saudi Riyal)	
	2023	2022
Non-current portion of long-term Murabaha	**971,250,000**	-
Current portion of long-term Murabaha	**78,750,000**	-
Total	**1,050,000,000**	-

19-ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	(Saudi Riyal)	
	2023	2022
Accrued rents for municipilaities	**114,063,159**	65,288,571
Discounts due to customers	**64,776,640**	52,695,742
Accrued commissions	**38,452,099**	32,629,245
Accrued interest cost	**18,645,919**	4,636,955
Other creditors	**12,187,380**	16,612,292
Other creditors - related parties (Note 13)	**8,761,863**	2,143,544
Advances from customers	**6,637,350**	6,227,761
Dividends payable	**2,956,348**	30,000,000
Other	**23,932,179**	8,232,841
Total	**290,412,937**	218,466,951

20-ZAKAT AND INCOME TAX PROVISION

The main elements of zakat base are as follows:

	(Saudi Riyal)	
	2023	2022
Adjusted profit for the year	**365,032,273**	303,045,674
Share capital	**500,000,000**	500,000,000
Debts and its equivalent and revolving provisions and other items	**2,551,854,394**	1,284,228,397
Less: non-current assets	**(2,549,717,453)**	(1,640,280,264)

The main elements for calculating income tax is as follows:

	(Saudi Riyal)	
	2023	2022
Total income	**3,143,489**	-
Income tax as per subsidiaries Company “Arab Republic of Egypt”	**22.5%**	-
Income tax	**707,285**	-
Adjustments	**28,431**	-
Accrued income tax	**735,716**	-

The movement on zakat and income tax provision during the year is as follows:

	(Saudi Riyal)	
	2023	2022
Balance as at the beginning of the year	**11,286,669**	11,296,889
Zakat charged for the year	**22,248,081**	11,379,987
Income tax charged for the year	**735,716**	-
Acquisition of subsidiary (Note 1)	**749,999**	-
Zakat assessments	**100,000**	-
Zakat differences on zakat provision of a previous year	**701,169**	-
Paid during the year	**(11,987,838)**	(11,390,207)
Balance as at the end of the year	**23,833,796**	11,286,669

Zakat and income tax assessments and certificates status:

Arabian Contracting Services Company:
The Company received zakat assessments for the financial years 2017 and 2018 with zakat differences amounting to SR 4,867,663 and an objection was escalated to the Tax Committee for Resolution of Tax Violation and Disputes. A final ruling has been issued which require the Company to pay these differences with an amount of SR 100,000 and the Company has paid this in the subsequent period. The Company has submitted its special purpose standalone financial statements and zakat returns until the financial year ended December 31, 2022 and has obtained a certificate from Zakat, Tax, and Customs Authority.

Faden Agency Media and Advertising Company
The Company has submitted its financial statements and zakat returns until the financial year ended December 31, 2022 and has obtained a certificate from Zakat, Tax, and Customs Authority.

Al-Taer Al-Arabi Trading Company
The Company has submitted its financial statements and zakat returns until the financial year ended December 31, 2022 and has obtained a certificate from Zakat, Tax, and Customs Authority.

Arabian United Company for Advertising Services:
The Company has submitted its financial statements until the financial year ended December 31, 2023 and the Company has not been notified of any taxes due until December 31, 2023.

21-REVENUES

	(Saudi Riyal)	
	2023	2022
Outdoor advertisements	**1,163,932,946**	1,046,428,079
Indoor advertisements	**89,328,907**	59,784,015
Printing	**26,598,800**	19,970,283
Total (Note 6)	**1,279,860,653**	1,126,182,377

The Group derives its revenues from advertising and printing services at a point in time.

Depreciation of right-of-use assets (Note 8) and depreciation of property, plant and equipment (Note 7) constitutes 70% from the total cost of revenues.

22-SELLING AND MARKETING EXPENSES

	(Saudi Riyal)	
	2023	2022
Sales and marketing commission	**35,947,544**	34,903,427
Salaries, wages and other benefits	**10,166,569**	9,900,137
Depreciation of right-of-use assets (Note 8)	**190,376**	190,336
Depreciation of property, plant and equipment (Note 7)	**4,858**	-
Others	**8,290,598**	1,330,521
Total	**54,599,945**	46,324,421

23-GENERAL AND ADMINISTRATIVE EXPENSES

	(Saudi Riyal)	
	2023	2022
Salaries, wages and other benefits	**36,070,897**	35,391,229
Professional and consulting fees	**23,667,825**	3,629,197
Impairment losses on other current assets (Note 14)	**3,000,000**	-
Depreciation of right-of-use assets (Note 8)	**1,676,984**	1,619,161
Insurance of assets	**1,492,818**	1,358,745
Depreciation of property, plant and equipment (Note 7)	**757,055**	570,888
Electricity and water	**274,718**	127,013
Repair and maintenance	**207,666**	173,782
Others	**13,902,013**	6,532,452
Total	**81,049,976**	49,402,467

24-FINANCE COSTS

	(Saudi Riyal)	
	2023	2022
Finance cost on lease liabilities (Note 8)	**69,278,551**	41,456,835
Finance cost on short-term loans and long-term Murabaha	**44,483,489**	13,200,658
Finance cost on employees' defined benefits obligations (Note 17)	**604,278**	547,333
Total	**114,366,318**	55,204,826

25- OTHER INCOME / (EXPENSES), NET

	(Saudi Riyal)	
	2023	2022
Losses on disposal of property, plant and equipment	**(932,921)**	(8,688,285)
Other income	**1,107,687**	152,114
Total	**174,766**	(8,536,171)

26-DISCONTINUED OPERATIONS

The management of the Group decided on October 26, 2022 to cease the operations of Al-Taer Al-Arabi Trading Company, a wholly owned subsidiary, and has been liquidated (voluntarily liquidation) and all statutory procedures in this regard were completed during the subsequent period (Note 32). Accordingly, the Group did not include this subsidiary in its consolidated financial statements. Hence, Al-Taer Al-Arabi Trading Company has been classified as a discontinued operation. The results of the operations of Al-Taer Al-Arabi Trading Company for the current and previous year were presented in the consolidated statement of comprehensive income as follows:

	(Saudi Riyal)	
	2023	2022
Sales	**1,643,277**	176,424
Cost of sales	**(2,502,697)**	(3,234,533)
Gross loss	**(859,420)**	(3,058,109)
Selling and marketing expenses	**-**	(1,038,575)
General and administrative expenses	**(1,343,055)**	(4,970,664)
Other expenses	**-**	(21,965)
Zakat	**(10,719)**	-
Loss for the year from discontinued operations	**(2,213,194)**	(9,089,313)

The following is a statement of the main categories of assets and liabilities of Al-Taer Al-Arabi Trading Company, which have been classified as discontinued operations:

	(Saudi Riyal)	
	2023	2022
Assets		
Inventories	**-**	3,080,422
Prepaid expenses and other current assets	**383,054**	1,247,308
Cash and cash equivalents	**150**	157,087
Assets from discontinued operations	**383,204**	4,484,817
Liabilities		
Employees' defined benefits obligations	**-**	127,635
Trade payables	**-**	1,295,694
Accrued expenses and other current liabilities	**33,753**	467,169
Zakat provision	**10,719**	-
Liabilities from discontinued operations	**44,472**	1,890,498
Net assets directly related to discontinued operations	**338,732**	2,594,319

27- DIVIDENDS

The Group's Board of Directors recommended in their meeting held on Dhul Qidah 1, 1444 H (corresponding to May 21, 2023) to declare an annual dividends for the year 2022 with an amount of SR 20 million (SR 0.40 per share). The Board of Directors presented this to the shareholders and have been approved in the Extraordinary General Assembly meeting held on Dhul Hijjah 3, 1444 H (corresponding to June 21, 2023).

The Group's Board of Directors recommended in their meeting held on Safar 8, 1444 H (corresponding to September 4, 2022) to declare dividends for the first half of the year 2022 with an amount of SR 95 million (SR 1.90 per share). The Board of Directors have presented this to the shareholders and have been approved in their Ordinary General Assembly meeting held on Rabi' Al Awwal 8, 1444 H (corresponding to October 4, 2022).

The Group's Board of Directors recommended in their meeting held on Sha'aban 3, 1443 H (corresponding to March 6, 2022) to declare an annual dividends for the year 2021 with an amount of SR 93 million (SR 1.86 per share). The Board of Directors presented this to the shareholders and have been approved in the Extraordinary General Assembly meeting held on Shawwal 9, 1443 H (corresponding to May 10, 2022).

28-CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group has the following contingent liabilities and capital commitments:

	(Saudi Riyal)	
	2023	2022
Letters of guarantee *	**780,963,691**	43,712,342
Letters of credit	**10,931,936**	656,279
Capital commitments **	**12,351,423**	8,322,120

* Letters of guarantee are corresponded with secured cash deposited at banks as at December 31, 2023 with an amount of SR 837,772 (December 31, 2022: SR 800,300 – Note 14).

** The Group has capital commitments related to advertising billboards that are being manufactured (projects under progress) (Note 7).

29-EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to the equity holders of the parent company by the weighted average number of ordinary shares issued during the year and the prior year (50 million shares). The diluted earnings per share is the same as the basic earnings per share.

30- FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group is exposed to the following risks as a result of its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Commission rate risk
- Foreign currency risk
- Price risk
- Capital risk management

This note shows information about the Group's exposure to each of the above risks, the Group's objectives, policies and methods for measuring and managing risks.

GENERAL FRAMEWORK FOR RISK MANAGEMENT

The overall responsibility for the preparation and monitoring of risk management rests with the Group's management. The Group's risk management policies are designed to identify and analyze the risks faced by the Group and to set appropriate controls and limits on the extent of exposure to those risks and then monitor them to ensure that the limits set are not exceeded. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Group's activities. The Group's management aims, through training, standards and procedures set by the management, to develop a constructive and organized control environment so that each employee understands his role and the duties assigned to him.

CREDIT RISK

Credit risk represents the inability of one party to meet its obligations, which leads to the other party incurring a financial loss. The Group's policy states that all customers who wish to deal on a deferred basis are subject to a credit check. Financial instruments that are subject to concentration of credit risk mainly consist of customer receivables. The Group deposits cash with a number of financial institutions with good credit rating, and it has a policy based on setting limits on its deposited balances with each financial institution.

The Group does not believe that there are significant risks from the inefficiency of these institutions and the Group does not consider itself exposed to concentrations of credit risks with respect to debtors due to the diversity of its customer base working in various activities and located in multiple regions.

30- FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

The maximum credit risk to which the Group is exposed is represented by the value of the financial assets listed in the consolidated statement of financial position as follows:

	(Saudi Riyal)	
	2023	2022
Trade receivables	**836,747,065**	627,619,797
Other current assets	**77,770,241**	31,094,970
Cash at banks	**173,298,397**	114,664,832
Total	**1,087,815,703**	773,379,599

Exposing the Group to credit risks are primarily affected by the individual characteristics for each customer separately. 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 it is available and in some cases the bank references. Sales limitations are being set for each customer and are being reviewed quarterly.

The impairment for expected credit losses on trade receivables has been estimated as at December 31, 2023 with an amount of SR 29,648,894 (2022: SR 17,899,804) (Note 12) in accordance with the Group's applied policy and IFRS 9 "Financial Instruments".

As at the date of the consolidated statement of financial position, the aging of trade receivables was as follows:

December 31, 2023	(Saudi Riyal)		
Aging (in days)	**Carrying amount**	**Expected credit losses**	**Net**
From 0 to 90	**567,672,001**	**1,181,333**	**566,490,668**
From 91 to 180	**88,370,635**	**605,332**	**87,765,303**
From 181 to 270	**69,282,472**	**1,394,742**	**67,887,730**
From 271 to 360	**46,164,912**	**1,523,006**	**44,641,906**
More than 360	**94,905,939**	**24,944,481**	**69,961,458**
Total	**866,395,959**	**29,648,894**	**836,747,065**

December 31, 2022	(Saudi Riyal)		
Aging (in days)	Carrying amount	Expected credit losses	Net
From 0 to 90	413,587,732	117,502	413,470,230
From 91 to 180	89,913,651	185,689	89,727,962
From 181 to 270	37,592,997	279,630	37,313,367
From 271 to 360	19,820,529	357,360	19,463,169
More than 360	84,604,692	16,959,623	67,645,069
Total	645,519,601	17,899,804	627,619,797

The movement on expected credit losses during the year is as follows:

	(Saudi Riyal)	
	2023	2022
Balance as at the beginning of the year	**17,899,804**	10,597,562
Acquisition of subsidiary	**994,830**	-
Charged during the year	**10,754,260**	7,302,242
Balance as at the end of the year	**29,648,894**	17,899,804

30- FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

CONCENTRATIONS RISK OF MAXIMUM EXPOSURE TO CREDIT RISK
Concentrations arise when a number of the opposite parties involve in similar activities or 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 other. Concentrations indicate to the material sensitivity for the Group' performance toward the developments which may effect on the business or on a specific geographic area.

LIQUIDITY RISK
Liquidity risk represents the Group's difficulties in raising funds to meet commitments related to financial instruments. Liquidity risk can result from the inability to sell any financial asset quickly at an amount close to its fair value. The Group's terms of sale stipulate that the amounts are paid in cash when supplying goods or providing services on a deferred basis.

The following are contractual accruals of non-derivative financial liabilities:

	(Saudi Riyal)			
December 31, 2023	**Carrying amount**	**Contractual cash flows**	**Less than one year**	**More than a year**
Trade payables	**65,076,020**	**65,076,020**	**65,076,020**	**-**
Accrued expenses and other current liabilities	**290,412,937**	**290,412,937**	**290,412,937**	**-**
Contracts liabilities	**3,692,060**	**3,692,060**	**3,692,060**	**-**
Short-term loans and long-term Murabaha	**1,468,000,000**	**1,468,000,000**	**496,750,000**	**971,250,000**
Lease liabilities	**1,558,736,808**	**1,558,736,808**	**251,736,665**	**1,307,000,143**
Total	**3,385,917,825**	**3,385,917,825**	**1,107,667,682**	**2,278,250,143**

	(Saudi Riyal)			
December 31, 2022	**Carrying amount**	**Contractual cash flows**	**Less than one year**	**More than a year**
Trade payables	8,237,538	8,237,538	8,237,538	-
Accrued expenses and other current liabilities	218,466,951	218,466,951	218,466,951	-
Due to a related party	2,692,455	2,692,455	2,692,455	-
Short-term loans	348,915,747	348,915,747	348,915,747	-
Lease liabilities	1,216,568,766	1,216,568,766	196,153,896	1,020,414,870
Total	1,794,881,457	1,794,881,457	774,466,587	1,020,414,870

MARKET RISK
Market risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk which are ***commission rate risk***, ***foreign currency risk and price risk*** and other risks such as equity price risk and commodity price risk.

COMMISSION RATE RISK
Commission rate risk represents the risk arising from the fluctuation of the value of financial instruments due to changes in commission rates prevailing in the market. The Group is subject to commission rate risk on intra-group borrowings.

FOREIGN CURRENCY RISK
Foreign currency risk represents the risks resulting from the fluctuation of the value of a financial instrument due to changes in foreign exchange rates. Management monitors fluctuations in foreign exchange rates (US Dollars, Egyptian Pound, Euro, and Emirates Dirham) and believes that the Group is not exposed to significant currency risks.

PRICE RISK
The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to a significant price risk.

30- FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to:

- Safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or return capital to shareholders, and issue new shares or sell assets to reduce debt.

The Group seeks to maintain a balance between the highest return that can be achieved in the event of borrowing to the highest possible extent, and the preference and security derived from a strong capital position.

The following is a statement showing the debt-to-adjusted capital ratio:

	(Saudi Riyal)	
	2023	2022
Total debt	**1,468,000,000**	348,915,747
Less: cash and cash equivalents	**(174,082,308)**	(115,354,538)
Net debt	**1,293,917,692**	233,561,209
Net equity	**1,113,144,266**	819,870,860
Adjusted capital	**1,116,713,363**	820,960,138
Debt to adjusted capital ratio	**1.16**	0.28

31-FAIR VALUE OF FINANCIAL INSTRUMENTS

For the purpose of fair value disclosures of financial instruments, all financial assets and liabilities of the Group are not measured at fair value, as they are measured at amortized cost.

32- SUBSEQUENT EVENTS

The following are significant subsequent events:

- The ownership of Faden Agency Media and Advertising Company (a wholly-owned subsidiary of the Company) in Wave Media and Advertising Company (an outdoor advertising company owned by Faden Agency Media and Advertising Company with a 42.5% share) has been transferred to a fund regulated by the Capital Market Authority (the "Fund"), where the Company is the sole owner of the Fund's units. Derayah Financial Company is acting as the Fund manager and is responsible for managing the Fund and appointing independent representatives in Wave Media and Advertising Company's board of directors provided that Arabian Contracting Services Company or one of its subsidiaries does not have any representation in the board of directors of Wave Media and Advertising Company or influence its decisions. Saudi Fransi Capital acts as the custodian.

- Al-Taer Al-Arabi Trading Company a One Person Company (a wholly owned subsidiary of the Group) has been liquidated and all statutory procedures in this regard were completed during the subsequent period.

As per management opinion, there are no significant subsequent events after the year ended December 31, 2023 that could have a material impact on the Group's consolidated financial position or the results of its operations other than the mentioned above.

33- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Group's Board of Directors on 20 Ramadan 1445 H (corresponding to March 30, 2024).