

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2022
AND INDEPENDENT AUDITOR'S REPORT ON REVIEW

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2022

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Report on Review of Condensed Interim Consolidated Financial Statements

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

Introduction:

We have reviewed the accompanying condensed interim consolidated statement of financial position of **Arabian Contracting Services Company** ("the Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2022, and the condensed interim consolidated statement of profit or loss and other comprehensive income for the three and six months periods ended June 30, 2022, and the related condensed interim consolidated statements of changes in equity and cash flows for the six months period then ended, and other explanatory notes. Management is responsible for preparation and presentation of this condensed interim consolidated financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review:

We conducted our review in accordance with International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently doesn't enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Other matter:

The Company's consolidated financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion of those consolidated financial statements on Rajab 30, 1443 H (Corresponding March 3, 2022). Further, the condensed interim consolidated financial statements of the Company for the three and six months periods ended June 30, 2021, were reviewed by another auditor who expressed an unmodified review conclusion of those condensed interim consolidated financial statements on Muharram 10, 1443 H (Corresponding to August 18, 2021).

Allied Accountants Professional Services Company



Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh, Kingdom of Saudi Arabia
24 Muharram 1444 H (Corresponding to August 22, 2022)



ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

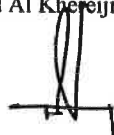
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2022
(SAUDI RIYAL)

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	193,259,704	193,409,253
Right of use assets	7	1,580,441,446	2,026,714,580
Intangible assets		1,135,980	-
Total non-current assets		1,774,837,130	2,220,123,833
Current assets			
Inventory		19,496,122	14,964,810
Trade receivables	8	596,919,834	419,295,827
Prepaid expenses and other current assets		226,303,719	395,558,345
Cash and cash equivalents		110,742,270	189,909,527
Total current assets		953,461,945	1,019,728,509
Total assets		2,728,299,075	3,239,852,342
EQUITY AND LIABILITIES			
Equity			
Share capital	1	500,000,000	500,000,000
Statutory reserve		45,565,791	45,565,791
Retained earnings		220,397,266	185,712,800
Total equity attributable to equity holders of the parent		765,963,057	731,278,591
Non-controlling Interests		1,459,330	-
Total equity		767,422,387	731,278,591
Liabilities			
Non-current liabilities			
Employees' defined benefits obligations		15,338,539	14,627,805
Lease liabilities	7	1,042,623,036	1,587,149,552
Total non-current liabilities		1,057,961,575	1,601,777,357
Current liabilities			
Lease liabilities - current portion	7	253,576,824	314,105,526
Loans and bank facilities	10	443,572,999	447,866,523
Trade payables		21,115,141	4,587,336
Due to related party	9	190,522	-
Accrued expenses and other current liabilities		179,235,043	128,940,120
Zakat provision	11	5,224,584	11,296,889
Total current liabilities		902,915,113	906,796,394
Total liabilities		1,960,876,688	2,508,573,751
Total equity and liabilities		2,728,299,075	3,239,852,342

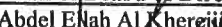
Finance Manager
Mohamad Al Bazz



Chief Executive Officer
Mohamad Al Khereiji



Chairman of Board of Directors
Abdel Enah Al Khereiji



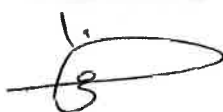
The accompanying notes form an integral part of these condensed interim consolidated financial statements

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2022
(SAUDI RIYAL)

	Notes	For the Three-months period ended June 30		For the Six-months period ended June 30	
		2022	2021	2022	2021
Revenues	5	263,635,378	157,528,209	551,035,679	306,108,520
Cost of revenues		(157,679,331)	(71,452,744)	(340,620,619)	(169,910,695)
Gross profit		105,956,047	86,075,465	210,415,060	136,197,825
Selling and marketing expenses		(9,338,750)	(7,959,780)	(21,387,872)	(13,434,379)
General and administrative expenses		(19,060,137)	(12,170,824)	(30,755,453)	(20,168,115)
Operating profit		77,557,160	65,944,861	158,271,735	102,595,331
Other expenses		(716,947)	(11,558,572)	(1,100,753)	(11,297,316)
Finance cost		(10,791,590)	(2,805,035)	(23,458,906)	(8,799,848)
Profit for the period before zakat		66,048,623	51,581,254	133,712,076	82,498,167
Zakat	11	(2,544,266)	(2,638,140)	(5,317,902)	(3,930,445)
Profit for the period		63,504,357	48,943,114	128,394,174	78,567,722
Profit for the period attributable to:					
Equity holders of the parent		62,794,649	48,943,114	127,684,466	78,567,722
Non-controlling Interests		709,708	-	709,708	-
		63,504,357	48,943,114	128,394,174	78,567,722
Basic and diluted EPS:					
Basic and diluted EPS attributable to equity holders of the parent	12	1.26	0.98	2.55	1.57
Other comprehensive income:					
Other comprehensive income items		-	-	-	-
Total comprehensive income for the period		63,504,357	48,943,114	128,394,174	78,567,722
Other comprehensive income for the period attributable to:					
Equity holders of the parent		62,794,649	48,943,114	127,684,466	78,567,722
Non-controlling Interests		709,708	-	709,708	-
		63,504,357	48,943,114	128,394,174	78,567,722

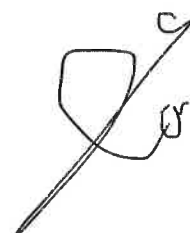
Finance Manager
Mohamad Al Bazz



Chief Executive Officer
Mohamad Al Khereiiji



Chairman of Board of Directors
Abdel Ellah Al Khereiiji



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

ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022
(SAUDI RIYAL)

	Share Capital	Statutory reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling Interests	Total equity
For the six months period ended June 30, 2021						
Balance as at January 1, 2021 (Audited)	500,000,000	25,079,630	1,337,349	526,416,979	-	526,416,979
Profit for the period	-	-	78,567,722	78,567,722	-	78,567,722
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	78,567,722	78,567,722	-	78,567,722
Balance as at June 30, 2021 (Unaudited)	500,000,000	25,079,630	79,905,071	604,984,701	-	604,984,701
For the six months period ended June 30, 2022						
Balance as at January 1, 2022 (Audited)	500,000,000	45,565,791	185,712,800	731,278,591	-	731,278,591
Profit for the period	-	-	127,684,466	127,684,466	709,708	128,394,174
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	127,684,466	127,684,466	709,708	128,394,174
Dividends (Note 13)	-	-	(93,000,000)	(93,000,000)	-	(93,000,000)
Changes in non-controlling interests	-	-	-	-	749,622	749,622
Balance as at June 30, 2022 (Unaudited)	500,000,000	45,565,791	220,397,266	765,963,057	1,459,330	767,422,387

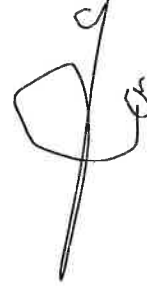
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ARABIAN CONTRACTING SERVICES COMPANY
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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022
(SAUDI RIYAL)

	June 30, 2022	June 30, 2021
<u>OPERATING ACTIVITIES:</u>		
Profit for the period before zakat	133,712,076	82,498,167
Adjustments for non-cash items:		
Depreciation of property and equipment	15,180,770	13,359,308
Amortization of intangible assets	214,589	-
Depreciation on right of use assets	212,719,309	141,065,410
Cost of disposal on right of use assets	24,357,154	-
Losses from disposal of property and equipment	1,218,192	11,641,324
Current service cost of employees' defined benefits obligations	1,196,557	1,626,692
Finance cost	23,458,906	8,799,848
Changes in working capital:		
Inventory	(4,531,312)	(260,175)
Trade receivables	(177,624,007)	10,744,877
Prepaid expenses and other current assets	(51,166,476)	(168,176,547)
Trade payables	16,527,805	(1,376,299)
Due to related party	(16,730)	816,065
Accrued expenses and other current liabilities	(47,851,337)	17,412,189
Cash flows from operations	147,395,496	118,150,859
Employees' defined benefits obligations paid	(278,571)	(804,361)
Zakat paid	(11,390,207)	(6,862,683)
Net cash flows from operating activities	135,726,718	110,483,815
<u>INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(16,929,460)	(38,265,473)
Proceeds from selling of property and equipment	680,047	60,382
Additions of intangible assets	(1,350,569)	-
Net cash flows used in investing activities	(17,599,982)	(38,205,091)
<u>FINANCING ACTIVITIES:</u>		
Paid from short term loans	(245,040,287)	(114,628,474)
Proceeds from short term loans	240,746,763	281,000,000
Finance cost paid	(6,674,364)	(8,799,848)
Paid of lease liabilities	(94,075,727)	(211,111,348)
Dividends	(93,000,000)	-
Changes in non-controlling interests	749,622	-
Net cash flows used in financing activities	(197,293,993)	(53,539,670)
Net change in cash and cash equivalents during the period	(79,167,257)	18,739,054
Cash and cash equivalents at the beginning of the year	189,909,527	26,585,303
Cash and cash equivalents at the end of the period	110,742,270	45,324,357
<u>NON-CASH TRANSACTIONS:</u>		
Additions of right of use assets / lease liabilities	1,017,427,426	133,455,546
Absorption of lease liabilities in accrued expenses	(98,146,260)	(10,282,995)
Closing of prepaid expenses in lease liabilities	(220,421,102)	-
Transfer from right of use assets to prepaid expenses	-	65,222,376
Transfer from employees' defined benefits obligations to a related party	(207,252)	-

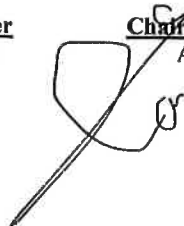
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ARABIAN CONTRACTING SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

1- CORPORATE INFORMATION OF THE GROUP

Arabian Contracting Services Company is a Saudi Joint Stock Company - (the "Company") registered in Riyadh city dated on Jumada Al-Ula 18, 1403 H (Corresponding to March 3, 1983) under Commercial Registration Number 1010048419. The company's shares were listed on the Saudi Stock Exchange on November 15, 2021.

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

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

The company's share capital amounted to 500 million Saudi riyal is divided into 50 million shares, the value of each share is 10 Saudi riyal.

These accompanying condensed interim consolidated financial statements include the results of the business, assets, liabilities and activities of the company's following branches, and the details of these branches are as follows:

<u>Branch name</u>	<u>City</u>	<u>Activity of the branch</u>	<u>Commercial Registration Number</u>
Raweyah Printing Press Arabian Company Factory	Riyadh	Printing and printing of advertisements, posters and flyers, gravure and photo engraving on metal or plastic boards	1010057812
Arabian Contracting Services Company	Riyadh	Agencies and corporations advertisements	1010062303
Ain Al Arabia Advertising Company	Riyadh	Agencies and corporations advertisements, organization and management of exhibitions and conferences, wholesale of gifts and luxuries	1010500526
Arabian Contracting Services	Jeddah	Agencies and corporations advertisements	4030058296
Raweyah Printing Press Arabian Company Factory	Jeddah	Printing, Printing of books, printing of advertisements, posters and flyers, printing of commercial stationery correspondence papers and invoices, printing using copiers, engraving and photo engraving on metal or plastic panels and book binding	4030275525

The accompanying condensed interim consolidated financial statements as of June 30, 2022 include the accounts of the Company and its subsidiaries (Collectively referred as the "Group"). The details of these subsidiaries are as follows:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Activity of the subsidiary</u>	<u>Ownership Percentage</u>	
			<u>June 30, 2022</u>	<u>December 31, 2021</u>
Al-Arabia Out of Home Advertising FZ - LLC (A)	UAE	Media, Marketing and outdoor advertising services	100%	100%
Al-Taer Al-Arabi Trading Company (B)	KSA	Storage, wholesaling on a fee or contract basis, wholesaling of other household goods, retailing by mail order houses or via the Internet	100%	100%
Arabian United Company for Advertising Services (C)	Egypt	Advertising by all audio, print and visual means, supplying, installing and operating digital screens, project management	49.9%	-

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

(B) Al Taer Al-Arabi Trading Company "Subsidiary" is a sole proprietorship Limited Liability Company registered in the Kingdom of Saudi Arabia and its owned 100% by the Company with a share capital of SR 50,000.

(C) Arabian United Company for Advertising Services "Subsidiary" is a Joint Stock Company registered in the Arab Republic of Egypt and its owned 49.9% by the Company with a share capital of Egyptian pounds 30,000,000. The subsidiary Company were consolidated by 49.9% due to the presence of control over the majority of voting rights.

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

2- BASIS OF PREPARATION

2-1 Statement of Compliance

The Group's condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard number (34) "Interim Financial Reporting" that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement approved by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These condensed interim consolidated financial statements do not include all the information and disclosures required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, and therefore they should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021. The results for the period are not indication of the annual results for the Group.

Basis of measurement

These condensed interim consolidated financial statements have been prepared under historical cost convention using going concern basis except for the employees defined benefits obligations that are measured at present value of future obligation using projected unit credit method, Moreover, these condensed interim consolidated financial statements are prepared using Accrual basis.

2-2 Basis of consolidation

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

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

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

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

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

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

2-3 Significant accounting estimates and assumptions

The preparation of condensed interim consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued and approved by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") that requires to use of some significant estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of potential assets and liabilities as of the date of the condensed interim consolidated financial statements.

As well as the reported amounts of revenues and expenses during the condensed interim consolidated financial statements period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions regarding the future. The results of accounting estimates, by definition, rarely equal the related actual results. There are no significant estimates that have a significant risk of causing a material adjustment to the carrying amounts of the assets within the next twelve months.

2-4 Functional and presentation currency

These condensed interim consolidated financial statements are presented in Saudi Riyal, unless otherwise stated. The Saudi Riyal is the functional and presentation currency of the Group.

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ARE EFFECTIVE

There are no new standards issued, however, a number of amendments to standards are effective from 1 January 2022, which are explained in the Group's annual consolidated financial statements which they do not have a material impact on the condensed interim consolidated financial statements.

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

4- CONSISTENT OF ACCOUNTING POLICIES

The accounting policies followed and the methods of calculation applied in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021.

5- OPERATING SEGMENTS

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

Operating segment information

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

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

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

Information on segment reporting

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

The Group derives its revenue from advertising, printing and electronic sales services at a point of time.

<u>For the six months period ended June 30, 2022</u>	<u>Advertising sector</u>	<u>Printing sector</u>	<u>Online sales sector</u>	<u>Total Sectors</u>	<u>Reconciliation and elimination</u>	<u>Consolidated</u>
<u>Revenues</u>	SR	SR	SR	SR	SR	SR
Customers	543,236,331	7,768,982	30,366	551,035,679	-	551,035,679
Transactions between sectors	-	-	-	-	-	-
Total revenue	543,236,331	7,768,982	30,366	551,035,679	-	551,035,679
Depreciation and amortization	226,176,508	1,678,984	259,176	228,114,668	-	228,114,668
Profit for the sector	129,792,332	1,668,248	(3,066,406)	128,394,174	-	128,394,174
<u>For the six months period ended June 30, 2021</u>	<u>Advertising sector</u>	<u>Printing sector</u>	<u>Online sales sector</u>	<u>Total sectors</u>	<u>Reconciliation and elimination</u>	<u>Consolidated</u>
<u>Revenues</u>	SR	SR	SR	SR	SR	SR
Customers	300,376,112	5,732,408	-	306,108,520	-	306,108,520
Transactions between sectors	-	-	-	-	-	-
Total revenue	300,376,112	5,732,408	-	306,108,520	-	306,108,520
Depreciation and amortization	152,583,249	1,841,469	-	154,424,718	-	154,424,718
Profit for the sector	77,336,791	1,230,931	-	78,567,722	-	78,567,722

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**5- OPERATING SEGMENTS (Continued)**

Disclosure of information related to the net book value of property, equipment, right-of-use assets, total assets and total liabilities in these segments is impractical, as no sector has achieved the limits mentioned in IFRS 8 "Operating Segments" to disclose its geographical information, except for the advertising sector, which represents most 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 data for each geographic region separately, as follows:

Geographical information	(Saudi Riyal)	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Revenues from customers		
Kingdom of Saudi Arabia	542,441,758	306,108,520
Arab Republic of Egypt	8,593,921	-
Total	<u>551,035,679</u>	<u>306,108,520</u>

Revenues between segments and between business units are eliminated when they are consolidated, and shown in the "Reconciliations and Eliminations" column.

The management of the Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is measured and evaluated on the basis of the condensed interim consolidated statement of profit or loss and other comprehensive income.

6- PROPERTY AND EQUIPMENT

	(Saudi Riyal)	
	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Cost:		
Balance as at the beginning of the period / year	305,550,744	274,694,188
Additions during the period / year	16,929,460	78,767,253
Disposals during the period / year	(6,982,138)	(47,091,647)
Transferred to related party	-	(819,050)
Balance as at the ending of the period / year	<u>315,498,066</u>	<u>305,550,744</u>
Accumulated depreciation:		
Balance as at the beginning of the period / year	112,141,491	119,781,288
Depreciation during the period / year	15,180,770	27,298,894
Disposals during the period / year	(5,083,899)	(34,938,691)
Balance as at the ending of the period / year	<u>122,238,362</u>	<u>112,141,491</u>
Net Book Value:	<u>193,259,704</u>	<u>193,409,253</u>

The property and equipment, as of June 30, 2022, includes an amount of SR 32 Million (December 31, 2021: SR 44.8 Million) represented in projects under construction, which are road billboards that are being manufactured which is the additional expected value until completion as at June 30, 2022 amounted to SR 3.7 Million (December 31, 2021: SR 8.9 Million) (Note 14).

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(CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

7- 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 lease payments due related to those lease contracts recognized in the condensed interim consolidated statement of financial position.

According to the events resulting from the (COVID-19) virus, during the period, amendments were made to some contracts, which represented a reduction in the rental value due or an extension of the grace period, and the following is the effect of these amendments on statements of the condensed interim consolidated financial position and profit or loss and other comprehensive income.

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Right of use assets		
Balance as at the beginning of the period / year	2,829,845,948	1,409,789,717
Adjustments	42,230,555	(12,681,337)
Transferred to prepaid expenses (A)	-	(80,104,462)
Disposals (B)	(1,406,492,471)	(200,209,360)
Additions during the period / year	1,017,427,426	1,713,051,390
	2,483,011,458	2,829,845,948
Right of use assets accumulated depreciation		
Balance as at the beginning of the period / year	803,131,368	715,411,365
Adjustments	2,211,527	(24,867,592)
Disposals	(113,280,665)	(200,209,360)
Depreciation	210,507,782	312,796,955
Balance as at the ending of the period / year	902,570,012	803,131,368
Net right of use assets	1,580,441,446	2,026,714,580

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Lease liabilities		
Balance as at the beginning of the period / year	1,901,255,078	531,663,659
Adjustments	42,230,555	(12,681,337)
Adjustment of financing cost	(1,496,906)	2,033,038
Disposals (B)	(1,268,854,652)	-
Adjustment of accrued rents	(46,471,652)	14,051,317
Additions during the period / year	1,017,427,426	1,713,051,390
	1,644,089,849	2,248,118,067
(Deduct) / added:		
Closing of prepaid expenses	(220,421,102)	(33,918,830)
Paid during the period / year	(94,075,727)	(279,888,014)
Finance cost	18,281,448	20,521,669
Amortization of accrued expenses	(51,674,608)	(53,577,814)
Balance as at the ending of the period / year	1,296,199,860	1,901,255,078
Current portion	253,576,824	314,105,526
Non-current portion	1,042,623,036	1,587,149,552
	1,296,199,860	1,901,255,078

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

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

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(CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**8- TRADE RECEIVABLES**

	(Saudi Riyal)	
	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Trade receivables	548,512,130	375,276,914
Trade receivables (related parties Note 9)	59,005,266	54,616,475
Less: Expected credit loss (*)	<u>(10,597,562)</u>	<u>(10,597,562)</u>
Net	<u>596,919,834</u>	<u>419,295,827</u>

(*) The movement in expected credit loss during the period / year is as follows:

	(Saudi Riyal)	
	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Balance as at the beginning of the period / year	10,597,562	13,283,264
Reverse provision for the period / year	-	(2,685,702)
Balance as at the ending of the period / year	<u>10,597,562</u>	<u>10,597,562</u>

9- RELATED PARTIES BALANCES AND TRANSACTIONS

During the period / year, the group has transactions with the related parties described below. The terms of these transactions and expenses have been approved by the group management and it's within normal business of the group. The transactions registered below were carried out with the following entities:

<u>Name of related party</u>	<u>Type of Relationship</u>
Engineer Holding Group Company	Shareholder
MBC Holding Limited Group	Shareholder
House of Skill For Contracting Company	Affiliate
Factory of National Signage Industrial Company	Affiliate
Elegant Hotel Company For Tourism and Hotels	Affiliate
Elegant Restaurants Company	Affiliate
Multaqa Al Zad For Tourism Company	Affiliate
Saudi Media Company	Affiliate
Green Boxes Company	Affiliate
National Media Advertising Company	Affiliate
Upscale Brand Company	Affiliate
Alarabi Investment Company	Affiliate

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(CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022

9- RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

The following are the significant transactions during the period:

<u>Company name</u>	<u>Nature of transaction</u>	<u>(Saudi Riyal)</u>	
		<u>June 30, 2022</u>	<u>June 30, 2021</u>
Saudi Media Company	Sales	24,935,994	-
	Collections	21,727,150	-
	Purchases	13,868,855	-
	Payments on behalf	11,333,740	-
Factory of National Signage Industrial Company	Payments on behalf	23,622,874	25,982,807
	Billboards Cost	10,168,127	-
	Sales	869,957	188,089
	Collections	600,000	-
Engineer Holding Group Company	End of service transferred	207,252	-
	Other	16,730	-
	Collections on behalf	-	816,065
	Billboards installation works	148,659	-
House of Skill For Contracting Company	Payments	124,975	13,266
	Sales	60,668	-
Elegant Restaurants Company	Collections	32,791	-
	Sales	31,584	-
Multaq Al Zad For Tourism Company	Collections	1,012	-
	Sales	575	11,156
Elegant Hotel Company For Tourism and Hotels	Collections	3,692	-
	Sales	1,150	12,440
MBC Holding Limited Group	Sales	8,445,508	10,245,903
	Collections	5,076,183	-
Upscale Brand Company	Sales	31,438	-
	Collections	24,615	-
National Media Advertising Company	Purchases	16,413,003	-
	Payments on behalf	8,719,857	-
Alarabi Investment company	Market studies	107,388	-
	Payments on behalf	107,388	-

Compensation of key management personnel incurred during the period is as follows

<u>Short term employee benefits:</u>	<u>(Saudi Riyal)</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Salaries and benefits of executive board members	1,899,601	4,286,733

Key management personnel include members of the board of directors, chief executive officer, and finance manager, and executives as persons who has the authorities and responsibility to plan, direct, and control the group activities.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**9- RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)**

The amounts due to related party represents the following:

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Engineer Holding Group Company	190,522	-
	<u>190,522</u>	<u>-</u>

Trade receivables - related parties (Note 8)

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Saudi Media Company	43,866,007	43,192,278
MBC Holding Limited Group	11,278,450	7,909,125
Factory of National Signage Industrial Company	2,796,533	2,526,576
Multaqa Al Zad for Tourism Company	616,355	616,792
Elegant Hotel Company For Tourism And Hotels	196,018	198,559
House of Skill For Contracting Company	139,945	79,278
Green Boxes Company	92,660	92,660
Upscale Brand Company	19,298	-
Elegant Restaurants Company	-	1,207
Total	<u>59,005,266</u>	<u>54,616,475</u>

Advances to suppliers - related parties

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Factory of National Signage Industrial Company	25,002,151	11,547,403
House of Skill For Contracting Company	214,284	237,341
Total	<u>25,216,435</u>	<u>11,784,744</u>

Other payables - related parties

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
National Media Advertising Company	9,418,146	1,725,000
	<u>9,418,146</u>	<u>1,725,000</u>

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(CONTINUED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**10- LOANS AND BANK FACILITIES**

The Group obtained bank facilities represented in short-term loans from local commercial banks as of June 30, 2022 amounting to SR 443,572,999 (December 31, 2021: SR 447,866,523). These loans are subject to interest rates prevailing in Saudi banks plus an agreed profit margin.

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

The movement in loans for the period / year is as follows:

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Balance as at the beginning of the period / year	447,866,523	131,795,115
Paid for the period / year	(245,040,287)	(183,076,536)
Proceeds during the period / year	240,746,763	499,147,944
Balance as at the ending of the period / year	443,572,999	447,866,523

11- ZAKAT PROVISION

The movement in zakat provision for the period / year represents the following:

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Balance as at the beginning of the period / year	11,296,889	6,862,683
Charged for the period / year	5,317,902	11,296,889
Paid during the period / year	(11,390,207)	(6,862,683)
Balance as at the ending of the period / year	5,224,584	11,296,889

Zakat status and zakat assessment:

The Company has a zakat assessments for the fiscal years 2017 and 2018 with zakat differences of amounted to SR 4,867,663 and the objection was escalated to the Committee for Adjudication of Tax Violations and Disputes. No judgment has been issued until the date of the condensed interim consolidated financial statements. The Company submitted its zakat return until the fiscal year ended on December 31, 2021 and obtained a certificate from Zakat, Tax and Customs Authority.

12- EARNINGS PER SHARE

Basic profit per share is calculated by dividing the profit attributable to the shareholders of the parent Company by the weighted average number of ordinary shares issued during the period and previous period (SR 50 Million). Since the Company does not have any diluted potential shares, the diluted profit per share is the same as the basic profit per share.

13- DIVIDENDS

The Group Board of Directors, in their meeting held on Sha'aban 3, 1443 H (Corresponding to March 6, 2022) declared annual dividends distribution for the year 2021 amounting to SR 93 Million (SR 1.86 per share) which was paid on Shawal 18, 1443 H (Corresponding to May 19, 2022). The Board of Directors present it to the shareholders and approve it in their extraordinary General assembly meeting held on Shawal 9, 1443 H (Corresponding to May 10, 2022).

14- CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

	(Saudi Riyal)	
	June 30, 2022	December 31, 2021
Letters of guarantee *	105,240,081	80,290,298
Letters of credit	131,161	6,318,649

* Cash margin in respect of letters of guarantee as at June 30, 2022, amounted to SR 826,217 (December 31, 2021: SR 928,380).

The Group has capital commitments related to billboards that are being manufactured (projects under construction) as at June 30, 2022, amounting to SR 3,723,058 (December 31, 2021: SR 8,993,191) (Note 6).

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15- FAIR VALUE

Fair value is the amount that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Within the definition of fair value there is an assumption that the Group will continue to operate as there is no intention or requirement to materially reduce the size of its operations or to conduct a transaction on adverse terms.

A financial instrument is considered to be listed in an active market if the listed prices are readily and regularly available from an exchange dealer, industry group broker, pricing services, or regulatory commission, and these prices represent market transactions that have actually occurred and regularly on a commercial basis.

When measuring fair value, the Group uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities that can be obtained at the measurement date.

Level 2: Inputs other than listed prices included in Level 1 that are observable for the asset or liability, directly (eg prices) or indirectly (derived from prices).

Level 3: Inputs for assets and liabilities that are not based on observable market information (unobservable inputs).

All financial assets and liabilities of the Group are not measured at fair value, as they are measured at amortized cost.

16- SUBSEQUENT EVENTS

As per management opinion, there are no significant subsequent events after the period ended June 30, 2022 that could have a material impact on the condensed interim consolidated financial position of the Group or the results of its operations.

17- APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements for the period ended June 30, 2022 were approved by the Board of Directors on 24 Muharram 1444 H (Corresponding to August 22, 2022).