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Arabian Contracting Services Company Prospectus

Offering Period: Three (3) days
starting on Tuesday 20/ 03/1443H (corresponding to 26/10/2021G) and
ending on Thursday 22/03/1443H (corresponding to 28/10/2021G).

A Saudi joint stock company pursuant to Commercial Register No. 1010048419 dated 18/05/1403H (corresponding to 3 March 1983G), and Ministerial Resolution No. 1132 dated 02/05/1427H (corresponding to 30 May 2006G).

Offering of fifteen million (15,000,000) ordinary shares, representing 30% of the Arabian Contracting Services Company's capital at an offer price of one hundred Saudi Riyals (SAR 100) per share.

The Arabian Contracting Services Company (hereinafter "**the Company**", "**Al Arabia**", "**Al Arabia Company**" or the "**Issuer**") was incorporated as a Saudi limited liability company in Riyadh under Commercial Register No. 1010048419 dated 18/05/1403H (corresponding to 3 March 1983G), with a share capital of one million Saudi Riyals (SAR 1,000,000) for the objective of engaging in outdoor advertising, particularly installing, and operating outdoor advertising billboards. The Company was converted into a (closed) joint stock company under HE Minister of Commerce Resolution No. 1132 issued on 02/05/1427H (corresponding to 30 May 2006G). At the same time, the Company's capital was increased from one million Saudi Riyals (SAR 1,000,000) to sixty million Saudi Riyals (SAR 60,000,000) by transferring twenty-three million, nine hundred nine thousand, one hundred three Saudi Riyals (SAR 23,909,103) from the shareholder's accounts receivable and capitalising a sum of thirty-five million, ninety thousand, eight hundred ninety-seven Saudi Riyals (SAR 35,090,897) out of the retained earnings. On 02/12/1429H (corresponding to 30 November 2008G), the Company increased its capital from sixty million Saudi Riyals (SAR 60,000,000) to one hundred fifty million Saudi Riyals (SAR 150,000,000) divided into fifteen million (15,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share through a cash contribution from the current shareholders of thirteen million, four hundred thousand Saudi Riyals (SAR 13,400,000), the capitalisation of sixty-nine million, eight hundred eighty-five thousand, five hundred eighty-two Saudi Riyals (SAR 69,885,582) out of the retained earnings, and the transfer of six million, seven hundred fourteen thousand, four hundred eighteen Saudi Riyals (SAR 6,714,418) from the balance of the statutory reserve. On 22/06/1433H (13 May 2012G), the Company increased its capital from one hundred fifty million Saudi Riyals (SAR 150,000,000) to two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share through capitalisation of forty-four million, four hundred sixty-four thousand, nine hundred sixty-six Saudi Riyals (SAR 44,464,966) from the retained earnings and fifteen million, five hundred thirty-five thousand, thirty-four Saudi Riyals (SAR 15,535,034) from the balance of the statutory reserve. On 21/06/1435H (corresponding to 21 April 2014G), the Company increased its capital from two hundred ten million Saudi Riyals (SAR 210,000,000) to five hundred fifty million Saudi Riyals (SAR 550,000,000) divided into fifty-five million (55,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through capitalisation of three hundred one million, forty-six thousand, six hundred forty-five Saudi Riyals (SAR 301,046,645) from the retained earnings and thirty-eight million, nine hundred fifty-three thousand, three hundred fifty-five Saudi Riyals (SAR 38,953,355) from balance of the statutory reserve. On 27/03/1440H (corresponding to 5 December 2018G), it was decreased (for further details, see Section 4 ("The Company") because it was in excess of the Company's needs from five hundred fifty million Saudi Riyals (SAR 550,000,000) to two hundred fifty million Saudi Riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. On 01/04/1441H (corresponding to 28 November 2019G), the Company increased its capital to meet its future expansion needs from two hundred fifty million Saudi Riyals (SAR 250,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalisation of one hundred seventy-five million Saudi Riyals (SAR 175,000,000) from the retained earnings and seventy-five million Saudi Riyals (75,000,000) from the balance of the statutory reserve. (For more information, see Section 4.2 ("**Development of Company's Capital and Ownership Structure**")).

The initial public offering (hereinafter the "**Offering**") consists of the sale of fifteen million (15,000,000) ordinary shares (collectively, the "**Offer Shares**" and individually an "**Offer Share**"), with a fully paid nominal value of ten Saudi Riyals (SAR 10) per ordinary share. The offer price shall be one hundred Saudi Riyals (SAR 100) per share (hereinafter the "**Offer Price**"). The Offer Shares represent 30% of the Company's capital.

The Offer Shares are restricted to the following two categories of investors (hereinafter the "**Investors**"):

Tranche A - Participating Parties: This category consists of the parties entitled to participate in the book-building process as specified under the Capital Market Authority (hereinafter the "**CMA**") Instructions on Book-Building and Allocation of Shares in Initial Public Offerings (hereinafter the "**Book-Building Instructions**") (collectively, the "**Participating Parties**" and individually a "**Participating Party**") (For more information, see Section 1 ("**Definitions and Abbreviations**")). The number of Offer Shares to be allocated to the Participating Parties actually involved in the book building process is 15,000,000 (fifteen million) ordinary shares, representing 100% of the total Offer Shares. In the event that there is sufficient demand from individual investors (as defined in Tranche B below), the Bookrunner is entitled to reduce the number of Offer Shares allocated to the Participating Parties to a minimum of thirteen million, five hundred thousand (13,500,000) ordinary shares, representing 90% of the total Offer Shares. The number and percentage of Offer Shares to be allocated to the Participating Parties will be determined by the Financial Advisor in consultation with the Company and the Selling Shareholders using the optional allocation mechanism mentioned in Section 18.4.1.

Tranche B - Individual Investors: This category consists of Saudi natural persons, including any divorced or widowed Saudi woman with minor children from a marriage to a non-Saudi who is entitled to subscribe to the Offer Shares in their names on her own behalf, on the condition that she provides proof that she is divorced or widowed and the mother of her minor children. It also includes GCC investors who are natural persons and resident foreign investors holding valid residency permits and having bank accounts (collectively, the "**Individual Investors**" and individually an "**Individual Investor**"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is demonstrated to have occurred, then the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. Individual Investors will be allocated a maximum of one million, five hundred thousand (1,500,000) ordinary shares, representing 10% of the Offer Shares. If there is not sufficient demand by Individual Investors for all the Offer Shares allocated to them, the Bookrunner is entitled to reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares that they subscribed for.

The Company's Current Shareholders (collectively, the "**Current Shareholders**") hold all of the Company's shares prior to the Offering. All Offer Shares will be sold by the shareholders Abdelellah Abdulrahman Alkhereiji and Engineer Holding Group Company (hereinafter the "**Selling Shareholders**") as per Table 12.1 ("**The Company's Ownership Structure Pre- and Post-Offering**"). Prior to the Offering, Abdelellah Abdulrahman Alkhereiji and Engineer Holding Group Company directly own 25% and 70% of the Company's shares respectively. Upon completion of the Offering, Abdelellah Abdulrahman Alkhereiji will not directly own any shares.

Upon completion of the Offering, the Current Shareholders will own 70% of the Company's shares and will consequently retain a controlling interest in the Company. The Company's Current Shareholders are Abdelellah Abdulrahman Alkhereiji, Engineer Holding Group Company, and MBC Group Holdings Ltd. The Substantial Shareholders, (with the exception of Abdelellah Abdulrahman Alkhereiji as he will not directly own any Company shares after completion of the Offering), will be subject to a lock-up period during which they will be prohibited from selling or disposing of their shares for a period of six (6) months (hereinafter the "**Lock-up Period**") as at the date trading starts on Saudi Tadawul Group (hereinafter "**Tadawul**", "**Exchange**", or "**Stock Exchange**"). After the lock-up period, Substantial Shareholders shall be entitled to dispose of their shares. The Substantial Shareholders are: Abdelellah Abdulrahman Alkhereiji, Engineer Holding Group Company, and MBC Group Holdings Ltd. Details of their respective ownership ratios are shown in Table 1.2 ("**Substantial Shareholders and Their Shareholding Percentages in the Company Pre- and Post-Offering**") of the Offering Summary on page (l). After deducting the Offering expenses, the proceeds from the Offering (hereinafter "**Net Offering Proceeds**") will be distributed to the Selling Shareholders. The Company will not receive any part of the Net Offering Proceeds (For more information, see Section 8 ("**Use of Offering Proceeds**")). The Offering will be fully underwritten by the Underwriter (For more information, see Section 13 ("**Underwriting**")).

The offering period starts on Tuesday 20/03/1443H (corresponding to 26/10/2021G) and remains open for a period of (3) three days including and up to the Offering closing date at the end of Thursday 22/03/1443H (corresponding to 28/10/2021G) (hereinafter the "**Offering Period**"). Subscription to the Offer Shares can be made through any of the branches of the receiving agents (hereinafter the "**Receiving Agents**") listed on Page I during the Offering Period (For more information, please see Page R ("**Key Dates and Subscription Procedures**")). The Participating Parties may subscribe for the Offer Shares through the Bookrunner (as defined in Section 1 ("**Definitions and Abbreviations**")) during the book-building process, which will take place prior to offering of the shares to Individual Investors.

Individual Investors who subscribe for the Offer Shares shall submit a Subscription Application Form for a minimum of ten (10) ordinary shares, noting that the maximum subscription is three hundred thousand (300,000) ordinary shares. The remaining Offer Shares (if any) will be allocated on a pro rata basis based on the portion of the Offer Shares applied for by each Individual Investor out of the total number of shares applied for. If the number of Individual Investors exceeds one hundred fifty thousand (150,000) investors, the Company will not guarantee the minimum allocation of Offer Shares and the Offer Shares will be allocated at the discretion of the Issuer and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agents. Announcement of the final allotment and refund of excess subscription monies, if any, will be made no later than 29/03/1443H (corresponding to 04/11/2021G) (For more information, see Page R ("**Key Dates and Subscription Procedures**") and Section 18 ("**Subscription Terms and Conditions**")).

The Company has one class of ordinary shares. Each share entitles its holder to one vote. Each shareholder (hereinafter "**Shareholder**") has the right to attend and vote at the Shareholders' General Assembly meetings (hereinafter the "**General Assembly**"). The shares do not confer preferential voting rights upon their Shareholder. The Offer Shares will be entitled to receive dividends declared and paid by the Company as at the date of this Prospectus ("**Prospectus**") and in subsequent fiscal years (for more information, see Section 7 ("**Dividend Distribution Policy**")).

Prior to the Offering, there has been no public trading or listing of the shares in any market in the Kingdom of Saudi Arabia (hereinafter "**Kingdom of Saudi Arabia**" or "**Saudi Arabia**") or elsewhere. The Company has submitted an application to: (1) the CMA for the registration and offering of the shares, and (2) the Exchange for acceptance to list its shares. All supporting documents required by the CMA have been submitted. All requirements have been met, including requirements for listing the Company on the Exchange, and all approvals pertaining to the Offering, including this Prospectus (hereinafter the "**Prospectus**"), have been granted. Trading of the shares on the Exchange is expected to commence once Offer Share allocation is concluded and all necessary legal requirements and relevant procedures are fulfilled (For more information, see Page R ("**Key Dates and Subscription Procedures**")). Saudi nationals, GCC nationals, Saudi and GCC companies, banks, and investment funds, and residents holding valid residency permits in the Kingdom of Saudi Arabia will be permitted to trade in the Offer Shares once they begin to be traded in Tadawul. Moreover, qualified foreign investors will be permitted to trade in the shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Non-Saudi nationals living outside the Kingdom of Saudi Arabia and institutions registered outside the Kingdom of Saudi Arabia (hereinafter "**Foreign Investors**") are also entitled to acquire economic benefits in the shares by entering into Swap Agreements through a Capital Market Institution authorised by the CMA to acquire and trade in shares on Tadawul on behalf of a Foreign Investor (hereinafter "**Capital Market Institutions**"). Under Swap agreements, Capital Market Institutions will be registered as legal owners of the shares.

Investment in Offer Shares involves certain risks and uncertainties. For a discussion of certain factors that should be carefully considered prior to making a decision to subscribe to the Offer Shares, see Page A ("**Important Notice**") and Section 2 ("**Risk Factors**") of this Prospectus. These two sections should be considered carefully before any decision to invest in the Offer Shares is made.

Financial Advisor, Lead Manager, Bookrunner and Lead Underwriter

GIB | جي آي بي كابيتال CAPITAL

Co-Underwriter

البلاد المالية Albilad Capital

This Prospectus is dated 18/11/1442H (corresponding to 28/06/2021G)

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Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting a Subscription Application Form for the Offer Shares, Participating Parties and Individual Investors will be considered to be applying based on the information contained in this Prospectus, copies of which can be obtained from the Company, the Lead Manager, the Receiving Agents, or by visiting the CMA website (www.cma.org.sa), the Saudi Tadawul Group website (www.saudiexchange.com), the Company website (www.al-arabia.com), or the Financial Advisor and Lead Manager website (www.gibcapital.com).

The Company has appointed GIB Capital as Financial Advisor in connection with the Offering (hereinafter the "**Financial Advisor**"), and as Lead Underwriter (hereinafter "**Lead Underwriter**"). The Company also appointed GIB Capital to act as the Bookrunner and Lead Manager (hereinafter "**Bookrunner**" or "**Lead Manager**"). Albilad Investment Company has been appointed as the co-underwriter (hereinafter "**Co-Underwriter**").

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA and Listing Rules of Saudi Tadawul Group. The Board Members, whose names appear on Page D, jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Whilst the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the information herein regarding the market and industry are derived from external sources. While neither the Company nor any of the Company's advisors, whose names appear on Pages F and G of this Prospectus (collectively referred to with the Financial Advisor as the "**Advisors**") has any reason to believe that any of the market and industry data is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the Company's financial position and the value of the Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic and political factors and factors over which the Company has no control (for further details, see Section 2 ("**Risk Factors**")). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be nor should be construed as or relied upon in any way as a promise, confirmation or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Board Members, the Current Shareholders, the Receiving Agents, or the Advisors to subscribe to the Offer Shares. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives, financial situation or particular investment needs of those intending to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining professional advice from a CMA licensed financial advisor in relation to the Offering to consider the appropriateness of both the investment and the information herein with regard to the recipient's individual objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision on whether or not to invest as a basis for their own examination of the investment opportunity and their individual circumstances.

Subscribing for the Offer Shares shall be limited to two categories of investors as follows:

Tranche A - Participating Parties: consisting of the parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (for further details, see Section 1 ("**Definitions and Abbreviations**")); and Tranche B - Individual Investors, consisting of Saudi natural persons, including any divorced or widowed Saudi woman with minor children from a marriage to a non-Saudi, who is entitled to subscribe to the Offer Shares in their names on her own behalf, on the condition that she provides proof that she is divorced or widowed and the mother of her minor children. It also includes GCC investors who are natural persons and resident foreign investors holding valid residency permits and having bank accounts. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is demonstrated to have occurred, then the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited except for Qualified Foreign Financial Institutions and/or Foreign Investors by entering into swap agreements with a Capital Market Institution in accordance with the terms and conditions for swap agreements, and subject to the relevant applicable laws and instructions. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offering or the sale of Offer Shares and to observe all such restrictions. Both qualified Individual Investors and qualified investing institutions shall read this Prospectus in full and seek advice from their attorneys, financial advisors and any professional advisors regarding statutory, tax, regulatory and economic considerations related to their investment in the shares, and will personally assume the fees associated with such advice obtained from their attorneys, accountants and other advisors regarding all matters related to investment in the Company's shares. No guarantees with regard to profits can be provided.

Market and Industry Data

The information contained in Section 3 ("**Market and Industry Data**") is taken from the market study report prepared for the Company on 12 April 2020G by the market consultant, Frost & Sullivan ("**Market Consultant**"), on the outdoor advertising sector in the Kingdom of Saudi Arabia ("**Market Study**").

The Board Members believe that the information and data from the Market Study provided in this Prospectus and obtained from other sources, including those provided by the Market Consultant, are reliable. However, this information was not independently verified by the Company, its Board Members, Advisors, or Selling Shareholders, and they assume no liability for the accuracy or completeness of this information.

The Market Consultant was established in 1961G and has over 1,200 employees in over 40 offices worldwide working exclusively for it as at March 2020G. The Market Consultant is headquartered in the United States of America. For more information, please visit the Market Consultant's website (ww2.frost.com).

The Market Consultant does not, nor do any of its subsidiaries, associates, partners, shareholders, board members, managers or relatives thereof, own any shares or interest of any kind in the Company or its subsidiaries. As at the date of this Prospectus, the Market Consultant has given and not withdrawn its written consent for the use of its name and logo and the market information and data supplied thereby to the Company in the manner and form set out in this Prospectus.

Financial and Statistical Information

The financial statements mentioned below are presented in the annexes of this Prospectus:

The Company's audited financial statements for the fiscal year ended 31 December 2018G and the Company's audited financial statements for the fiscal year ended 31 December 2019G and 31 December 2020G, along with notes thereto, prepared in accordance with the International Financial Reporting Standards (IFRS) as approved in the Kingdom (IFRS-Kingdom of Saudi Arabia) and other standards and pronouncements issued by the Saudi Organisation for Certified Chartered Accountants (SOCPA), and audited by Baker Tilly, as detailed in its report attached to this Prospectus.

The statements for fiscal year 2019G are the Company's first consolidated financial statements. Since 2018G, the financial statements have been prepared in accordance with IFRS-Kingdom of Saudi Arabia.

The above financial statements are found in Section 20 ("**Financial Statements and Auditor's Report**"). The Company publishes its financial statements in Saudi Riyals.

To assess the operational and financial performance of its business, the Company uses certain measures that are unaudited supplemental measures and are not required by, or presented in accordance with, Saudi GAAP or IFRS-Kingdom of Saudi Arabia. These non-Saudi GAAP financial measures include gross profit margin, operating margin, and net profit margin. Management uses such measures to assess operating performance and as a basis for strategic planning and forecasting. Management believes that these and similar measures are used widely by certain investors, securities analysts and other stakeholders as supplemental performance metrics. These non-Saudi GAAP measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation of or as a substitute for the analysis of the Company's operating results as reported under Saudi GAAP or IFRS-Kingdom of Saudi Arabia. For further details on how the Company measures its gross profit margin, operating margin, and net profit margin, see the margins listed in the "Summary of Financial Information" table below. The financial and statistical data contained in this Prospectus has been rounded to the nearest integer. Therefore, there may be minor differences between the figures shown for the same item in the different tables and figures shown as totals in some tables may not equal the mathematical sum of the figures that preceded them. Where amounts cited in this Prospectus have been converted from a foreign currency into Saudi Riyals, the exchange rate of the Saudi riyal against the relevant currency as at the date of this Prospectus was used.

In this Prospectus, Hijri dates are mentioned along with their Gregorian counterparts where appropriate. The Hijri calendar is calculated based on the anticipated lunar cycles. However, the start of each month is determined by the actual observation of the moon. Therefore, conversions from the Hijri calendar to the Gregorian calendar are often subject to one-day discrepancies. In addition, any reference to a "year" or "years" shall refer to Gregorian years unless otherwise expressly stated in this Prospectus.

Forecasts and Forward-Looking Statements

The forecasts set forth in this Prospectus have been prepared on the basis of projections made from the Company's information based on its market experience, as well as on publicly available market information. Future operating conditions may differ from the projections used, and consequently no representation or guarantee is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that, to the best of its reasonable knowledge, all professional due diligence has been taken in preparing the statements contained in this Prospectus.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of forward-looking terminology such as "plans", "estimates", "believes", "expects", "anticipates", "may", "would be", "should", "expected", or the negation of these terms or other comparable terminology or terms with corresponding meanings.

These forward-looking statements reflect the Company's current views with respect to future events and are not a guarantee of future performance, as there are many factors that could affect the Company's real performance, actual achievements or results and cause them to be significantly different from what was expected, whether expressed or implied. Some of the risks and factors that could have such effect are described in more detail in other sections of this Prospectus (for more information, see Section 2 ("**Risk Factors**")). Should one or more of these risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, the Company's actual results may materially vary from those mentioned, described, expected, estimated or planned in this Prospectus.

Pursuant to the requirements of the Rules on the Offer of Securities and Continuing Obligations (OSCOs), the Company must submit a supplementary prospectus to the CMA if, at any time after the date of the Prospectus and prior to completion of the Offering, the Company becomes aware that:

a) There has been a significant change in material matters contained in the Prospectus or any document required by OSCOs.
b) Any additional significant matters have become known which should have been included in the Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Therefore, prospective investors should consider all forward-looking statements in light of these explanations and should not unduly rely on forward-looking statements.

Corporate Directory

Company's Board of Directors

Table (1-1): Company's Board Members

No.	Name	Position	Nationality	Status	Independence	Date of Appointment	Direct Ownership (%)		Indirect Ownership (%)	
							Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1-	Abdelellah Abdulrahman Alkhereiji	Chairman of the Board	Saudi	Non-executive	Non-independent	2015G	25%	-	35%[1]	32.5%[2]
2-	Abdel Mohsen Abdulrahman Alkhereiji	Vice Chairman	Saudi	Non- executive	Non-independent	2020G	-		-	-
3-	Muhammad Abdelellah Alkhereiji	Managing Director	Saudi	Executive	Non-independent	2015G	-		7.7%[3]	7.1%[4]
4-	Samuel James Killion Barnett	Member	British	Non- executive/ Representative of MBC Group Holding Ltd.	Non-independent	2020G	-	-	-	-
5-	Munaji Fouad Zamakhshari	Member	Saudi	Non- executive	Independent	2020G	-		-	-
6-	Muhammad Abdullah Al-Nimr	Member	Saudi	Non- executive	Independent	2020G	-		-	-

Source: The Company

The current Secretary of the Company's Board of Directors is Mustafa Fawzi Al-Saeedi, who does not own any shares in the Company.

1 Pre-Offering, Abdelellah Abdulrahman Alkhereiji indirectly owns 35% as a result of a 50% ownership percentage in Engineer Holding Group Company, which directly holds 70% of the Company's shares.

2 Post-Offering, Abdelellah Abdulrahman Alkhereiji will indirectly own 32.5% as a result of a 50% ownership percentage in Engineer Holding Group Company, which will directly hold 65% of the Company's shares after the Offering.

3 Pre-Offering, Mohammed Abdelellah Alkhereiji indirectly owns 7.7% as a result of a 11% ownership percentage in Engineer Holding Group Company, which directly holds 70% of the Company's shares.

4 Post-Offering, Mohammed Abdelellah Alkhereiji will indirectly own 7.1% as a result of a 11% ownership percentage in Engineer Holding Group Company, which will directly hold 65% of the Company's shares after the Offering.

Company's Address, Representatives and Board Secretary

Arabian Contracting Services Company
P.O. Box 55905
Riyadh 11544,
Olaya Towers - Floor 33
Kingdom of Saudi Arabia
Unified Tel: +966 92 003 3343
Tel: +966 11 271 6900
Fax: +966 11 229 2550
Website: www.al-arabia.com
Email: info@al-arabia.com

Company's Representatives

Abdelellah Abdulrahman Al-Khereiji
Arabian Contracting Services Company
P.O. Box 55905 Riyadh 11544
Olaya Towers – Floor 33
Kingdom of Saudi Arabia
Unified Tel: +966 92 003 3343
Direct Tel: +966 11 271 6901
Fax: +966 11 229 2550
Website: www.al-arabia.com
Email : aalkhereiji@al-arabia.com

Muhammad Abdelellah Al-Khereiji
Arabian Contracting Services Company
P.O. Box 55905 Riyadh 11544
Olaya Towers – Floor 33
Kingdom of Saudi Arabia
Unified Tel: +966 92 003 3343
Direct Tel: +966 11 271 6990
Fax: +966 11 229 2550
Website: www.al-arabia.com
Email : malkhereiji@al-arabia.com

Secretary of the Board

Mustafa Fawzi Al-Saeedi
Arabian Contracting Services Company
P.O. Box 55905 Riyadh 11544
Olaya Towers – Floor 33
Kingdom of Saudi Arabia
Unified Tel: +966 92 003 3343
Direct Tel: +966 11 271 6904
Fax: +966 11 229 2550
Website: www.al-arabia.com
Email : malsaidi@al-arabia.com

The Exchange

Saudi Tadawul Group (Tadawul)
King Fahd Road – Al Olaya 6897
Unit No. 15
Riyadh 12211- 3388
Kingdom of Saudi Arabia
Tel: +966 92 000 1919
Fax: +966 11 218 9133
Website: www.saudiexchange.sa
Email: csc@saudiexchange.sa

Financial Advisor, Lead Manager, Bookrunner and Lead Underwriter

GIB Capital
Low Rise Building 1 Granada Business & Residential Park
Eastern Ring Road
P.O. Box 89589
Riyadh 11692,
Kingdom of Saudi Arabia
Tel: +966 11 511 2200
Fax: +966 11 511 2201
Website: www.gibcapital.com
Email: customercare@gibcapital.com

Co-Underwriter

Albilad Investment Company
King Fahad Road
P.O. Box 140
Riyadh 11411,
Kingdom of Saudi Arabia
Tel: +966 92 000 3636
Fax: +966 11 290 6299
Website: www.albilad-capital.com
Email: clientservices@albilad-capital.com

The Issuer's Legal Advisor

Legal Advisors, Abdulaziz Alajlan & Partners
Olayan Complex, Tower II, 3rd Floor
Al Ahsa Street, Malaz
P.O. Box 69103
Riyadh 11547,
Kingdom of Saudi Arabia
Tel: +966 11 265 8900
Fax: +966 11 265 8999
Website: www.legal-advisors.com
Email : legal.advisors@legal-advisors.comG

Legal Advisors.
Abdulaziz Alajlan & Partners
in association with Baker & McKenzie Limited

Financial Due Diligence Advisor

Ernst & Young & Co (Chartered Accountants)
6th & 14th Floors – Al Faisaliah Tower, King Fahd Street
P.O. Box 2732 Riyadh 11461
Kingdom of Saudi Arabia
Tel: + 966 (11) 273 4740
Fax: + 966 (11) 273 4730
Website: www.ey.com
Email: riyadh@sa.ey.com

EY Building a better working world

Market Consultant

Frost & Sullivan
Al-Akaria Plaza, 6th Floor
Gate D, Olaya Road
P.O. Box 86334
Riyadh 11622
Kingdom of Saudi Arabia
Tel: +966 11 486 8463
Fax: +966 11 486 8463
Website: ww2.frost.com
Email: info@frost.com

FROST & SULLIVAN

Independent Auditors

Baker Tilly MKM & CO (Certified Accountants)
Suite 1, Level 3
Uthman Ibn Affan Rd, At Taawun
P.O. Box 300467
Riyadh 11373
Kingdom of Saudi Arabia
Tel: +966 11 835 1600
Fax: +966 11 835 1601
Website: www.bakertillymkm.com
Email: saudi@bakertillyjfc.com

Note:

Up to the date of this Prospectus, all the above-mentioned Advisors and Independent Auditors have given and have not withdrawn their written consent for the publication of the names and logos attributed to each of them in the form and content appearing herein. Moreover, they do not themselves, or any of their employees or relatives, have any shareholding or interest of any kind in the Company as at the date of this Prospectus.

Receiving Agents

Saudi National Bank
King Abdul Aziz Road
P.O Box 3555
Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 12 649 3333
Fax: +966 12 643 7426
Website: www.alahli.com
E-Mail: contactus@alahli.com

Bank Albilad
King Abdullah Road, Al-Worood District
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 11 203 9815
Fax: +966 11 401 3030
Website: www.bankalbilad.com
Email: customercare@bankalbilad.com

Saudi British Bank (SABB)
Prince Abdulaziz Ibn Musaid Ibn Jalawi St, Al Murabba
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 11 440 8440
Fax: +966 11 276 3414
Website: www.sabb.com
Email: sabb@sabb.com

Riyad Bank
Eastern Ring Road
P.O. Box 22622
Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 11 401 3030
Fax: +966 11 403 0016
Website: www.riyadbank.com
Email: customercare@riyadbank.com

The Company's Main Banks

Riyad Bank
Eastern Ring Road
P.O. Box 22622
Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 11 401 3030
Fax: +966 11 403 0016
Website: www.riyadbank.com
Email: customercare@riyadbank.com

Arab National Bank
King Faisal Street
P.O Box 9802
Riyadh 11423
Kingdom of Saudi Arabia
Tel: +966 11 402 9000
Fax: +966 11 404 7535
Website: www.anb.com.sa
Email: info@anb.com.sa

Saudi British Bank (SABB)
Prince Abdulaziz Ibn Musaid Ibn Jalawi St
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 11 276 4779
Fax: +966 11 276 4356
Website: www.sabb.com
Email: sabb@sabb.com

The Saudi Investment Bank (SAIB)
Al Maathar District
P.O. Box 3144
Riyadh 12622
Kingdom of Saudi Arabia
Tel: +966 11 418 3100
Fax: +966 11 477 6781
Website: www.saib.com.sa
Email: ir@saib.com.sa

Bank Albilad
King Abdullah Road, Al-Worood District
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 11 203 9815
Fax: +966 11 401 3030
Website: www.bankalbilad.com
Email: cstomercare@bankalbilad.com

Summary of the IPO

This summary of the IPO aims to give a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole. In particular, it is important to carefully consider Page A (**Important Notice**) and Section 2 (**Risk Factors**) prior to making any decision to invest in the Offer Shares.

Company Name, Description and Establishment Information	The Arabian Contracting Services Company was incorporated as a Saudi limited liability company in Riyadh under Commercial Register No. 1010048419 dated 18/05/1403H (corresponding to 3 March 1983G), with a share capital of one million Saudi Riyals (SAR 1,000,000) for the objective of engaging in outdoor advertising, particularly installing, and operating outdoor advertising billboards. The Company was converted into a (closed) joint stock company under HE Minister of Commerce Resolution No. 1132 issued on 02/05/1427H (corresponding to 30 May 2006G). At the same time, the Company's capital was increased from one million Saudi Riyals (SAR 1,000,000) to sixty million Saudi Riyals (SAR 60,000,000) by transferring twenty-three million, nine hundred nine thousand, one hundred three Saudi Riyals (SAR 23,909,103) from the shareholder's accounts receivable and capitalising a sum of thirty-five million, ninety thousand, eight hundred ninety-seven Saudi Riyals (SAR 35,090,897) out of the retained earnings. On 02/12/1429H (corresponding to 30 November 2008G), the Company increased its capital from sixty million Saudi Riyals (SAR 60,000,000) to one hundred fifty million Saudi Riyals (SAR 150,000,000) divided into fifteen million (15,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share through a cash contribution from the current shareholders of thirteen million, four hundred thousand Saudi Riyals (SAR 13,400,000), the capitalisation of sixty-nine million, eight hundred eighty-five thousand, five hundred eighty-two Saudi Riyals (SAR 69,885,582) out of the retained earnings, and the transfer of six million, seven hundred fourteen thousand, four hundred eighteen Saudi Riyals (SAR 6,714,418) from the balance of the statutory reserve. On 22/06/1433H (13 May 2012G), the Company increased its capital from one hundred fifty million Saudi Riyals (SAR 150,000,000) to two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share through capitalisation of forty-four million, four hundred sixty-four thousand, nine hundred sixty-six Saudi Riyals (SAR 44,464,966) from the retained earnings and fifteen million, five hundred thirty-five thousand, thirty-four Saudi Riyals (SAR 15,535,034) from the balance of the statutory reserve. On 21/06/1435H (corresponding to 21 April 2014G), the Company increased its capital from two hundred ten million Saudi Riyals (SAR 210,000,000) to five hundred fifty million Saudi Riyals (SAR 550,000,000) divided into fifty-five million (55,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through capitalisation of three hundred one million, forty-six thousand, six hundred forty-five Saudi Riyals (SAR 301,046,645) from the retained earnings and thirty-eight million, nine hundred fifty-three thousand, three hundred fifty-five Saudi Riyals (SAR 38,953,355) from balance of the statutory reserve. On 27/03/1440H (corresponding to 5 December 2018G), it was decreased (for further details, see Section 4 ("The Company") because it was in excess of the Company's needs from five hundred fifty million Saudi Riyals (SAR 550,000,000) to two hundred fifty million Saudi Riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. On 01/04/1441H (corresponding to 28 November 2019G), the Company increased its capital to meet its future expansion needs from two hundred fifty million Saudi Riyals (SAR 250,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalisation of one hundred seventy-five million Saudi Riyals (SAR 175,000,000) from the retained earnings and seventy-five million Saudi Riyals (75,000,000).

Company's Activities	The Company's business includes setting up and operating outdoor advertising billboards, including roadside advertising and indoor advertising. In roadside advertising, the Company participates in the tenders organised by various secretariat, municipalities, and government agencies in all provinces and cities of KSA to lease and invest in the many sites belonging to these agencies and secretariat by installing billboards in them and selling these billboards' advertising spaces to their clients. The Company has recently expanded its business by entering the indoor advertising market. In this regard, the Company entered into a number of exclusive contracts with the owners of commercial centres in different regions within the Kingdom. The main objectives of the Company in accordance with its Bylaws include: • Promotion and advertising, printing advertisement materials, commercial printing, and binding. • Manufacture of steel, aluminium and plastic materials used in advertising. • Implementation of contracting and construction works. • Purchase of lands and properties to construct buildings for the Company's benefit. • Import, export, wholesale and retail of materials, advertising billboards, and printing supplies and equipment of all kinds. • Installation and equipment of displays. • Road works and maintenance, electrical works and maintenance, mechanical works and maintenance, construction works and maintenance. • Manufacturing and assembly of advertisements and informational billboards, including digital TV billboards.
Selling Shareholders	• The Company's Shareholders, whose names and shareholding percentages are listed in Table 12.1 ("**The Company's Ownership Structure Pre- and Post-Offering**") and who will sell a portion of their shares in the Offering, include: • Abdelellah Abdulrahman Alkhereiji. • Engineer Holding Group Company.
Substantial Shareholders, No. of Shares and Shareholding Percentages Pre- and Post-Offering	The following table sets out the names and shareholding percentages of the Company's Substantial Shareholders pre- and post-Offering. **Table (1-2): Substantial Shareholders and Their Shareholding Percentages in the Company Pre- and Post-Offering**

Shareholders	Pre-Offering			Post-Offering		
	No. of Shares	Direct Ownership (%)	Nominal Value (SAR)	No. of Shares	Direct Ownership (%)	Nominal Value (SAR)
Selling Shareholders						
Abdelellah Abdulrahman Alkhereiji	12,500,000	25%	125,000,000	-	-	-
Engineer Holding Group Company	35,000,000	70%	350,000,000	32,500,000	65%	325,000,000
Other Current Shareholders						
MBC Group Holdings Ltd.	2,500,000	5%	25,000,000	2,500,000	5%	25,000,000
The Public	-	-	-	15,000,000	30%	150,000,000
Total	**50,000,000**	**100%**	**500,000,000**	**50,000,000**	**100%**	**500,000,000**

The Company's Share Capital (As at the Date of this Prospectus)	Five hundred million Saudi Riyals (SAR 500,000,000).
Total No. of Issued Shares (As at the Date of this Prospectus)	Fifty million (50,000,000) fully paid ordinary shares.
Offering	Fifteen million (15,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, representing 30% of the Company's share capital, are offered at a price of one hundred Saudi Riyals (SAR 100) per share.
Total No. of Offer Shares	Fifteen million (15,000,000) fully paid ordinary shares.
Nominal Value Per Share	Ten Saudi Riyals (SAR 10) per share.
Offer Shares as a Percentage of Company Capital	The Offer Shares represent 30% of the Company's share capital.

Offer Price	One hundred (100) Saudi Riyals per share.
Total Offering Value	One billion five hundred million (1,500,000,000) Saudi Riyals.
Use of Offering Proceeds	The net Offering proceeds of one billion five hundred million (1,500,000,000) Saudi Riyals, after deducting the full Offering expenses amounting to thirty-five million (35,000,000) Saudi Riyals, will be distributed to the Selling Shareholders in proportion to their Offer Shares. The Company will not receive any share of the Offering proceeds. For more information, see Section 8 ("**Use of Offering Proceeds**").
Number of Underwritten Offer Shares	Fifteen million (15,000,000) ordinary shares.
Amount to be Underwritten	One billion five hundred million (1,500,000,000) Saudi Riyals.
Categories of Target Investors	Subscription for Offer Shares is restricted to: **Tranche A - Participating Parties:** This category consists of the parties entitled to participate in the book-building process in accordance with the Book Building Instructions (for further details, see Section 1 ("**Definitions and Abbreviations**")). **Tranche B - Individual Investors:** Saudi natural persons, including any divorced or widowed Saudi woman with minor children from a marriage to a non-Saudi, who is entitled to subscribe to the Offer Shares in their names on her own behalf, on the condition that she provides proof that she is divorced or widowed and the mother of her minor children. It also includes GCC investors who are natural persons and resident foreign investors holding valid residency permits having bank accounts. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is demonstrated to have occurred, then the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
Total Offer Shares Available for Each Category of Target Investors	
No. of Shares Offered to Participating Parties	Fifteen million (15,000,000) ordinary shares, representing 100% of the total Offer Shares. Note that if there is sufficient demand by Individual Investors, the Bookrunner shall be entitled to reduce the number of shares allocated to Participating Parties to thirteen million, five hundred thousand (13,500,000) ordinary shares, representing 90% of the Offer Shares. The number and percentage of Offer Shares to be allocated to the Participating Parties will be determined by the Financial Advisor in consultation with the Company and the Selling Shareholders using the allocation mechanism mentioned in Section 18.4.1.
No. of Shares Offered to Individual Investors	A maximum of one million, five hundred thousand (1,500,000) shares, representing 10% of the total Offer Shares. If Individual Investors have not subscribed for all shares allocated to them, the Lead Manager may reduce the number of shares allotted thereto in proportion to the number of shares they subscribed for.
Subscription Method for Each Category of Target Investors	
Subscription Method for Participating Parties	Participating Parties, as defined in Section 1 ("**Definitions and Abbreviations**") may apply for subscription. The Bookrunner will provide the Subscription Application Forms to Participating Parties during the book building process. Following the provisional allocation, the Bookrunner will provide Subscription Forms to Participating Parties, which shall fill out such forms in accordance with the instructions set forth in Section 18 ("**Subscription Terms and Conditions**").
Subscription Methods for Individual Investors	Subscription Application Forms will be made available to Individual Investors during the Offering Period at all Receiving Agents' branches. Subscription Application Forms for Individual Investors must be filled out according to the instructions set forth in Section 18 ("**Subscription Terms and Conditions**"). Individual Investors who have already subscribed in previous IPOs in the Kingdom of Saudi Arabia may also subscribe through the Internet, telephone banking or ATMs at any of the Receiving Agents' branches that offer any of these services, provided that: (a) the investor has a bank account with the Receiving Agent that offers such services; and (b) there have been no changes to the Individual Investor's personal or private information since they last participated in an IPO.
Minimum No. of Offer Shares for Each Category of Target Investors	
Minimum No. of Offer Shares to be Applied for by Participating Parties	One hundred thousand (100,000) shares.
Minimum Subscription for Individual Investors	Ten (10) shares.
Minimum Subscription Amount for Each Category of Target Investors	
Minimum Subscription Amount for Participating Parties	Ten million (10,000,000) Saudi Riyals.

Minimum Subscription Amount for Individual Investors	Thousand (1,000) Saudi Riyals.
Maximum No. of Offer Shares for Each Category of Target Investors	
Maximum Subscription for Participating Parties	Two million, four hundred ninety-nine thousand, nine hundred ninety-nine (2,499,999) shares
Maximum No. Offer Shares for Individual Investors	Three hundred thousand (300,000) shares.
Maximum Subscription Amount for Each Category of Target Investors	
Maximum Subscription Amount for Participating Parties	Two hundred and forty-nine million nine hundred and ninety-nine thousand nine hundred and ninety-nine Riyals (249,999,999) Saudi Riyals.
Maximum Subscription Amount for Individual Investors	Thirty million (30,000,000) Saudi Riyals.
Allocation of Offer Shares and Refund of Excess Proceeds for Each Category of Target Investors	
Allocation of Offer Shares to Participating Parties	Final allocation of the Offer Shares to Participating Parties shall be made through the Lead Manager upon completion of the Individual Investors' subscription process. Fifteen million (15,000,000) Offer Shares, representing 100% of the total Offer Shares, will be initially allocated to Participating Parties. If there is sufficient demand from Individual Investors, the Lead Manager is entitled to reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirteen million, five hundred thousand (13,500,000) ordinary shares, representing 90% of the total Offer Shares, upon completion of the Individual Investors' subscription process. The number and percentage of Offer Shares to be allocated to Participating Parties will be determined by the Financial Advisor in consultation with the Company and the Selling Shareholders using the allocation mechanism mentioned in Section 18.4.1.
Allocation of Offer Shares to Individual Investors	Allocation of Offer Shares to Individual Investors is expected to be completed no later than 29/03/1443H (corresponding to 04/11/2021G). The minimum allocation per Individual Investor is ten (10) shares and the maximum allocation per Individual Investor is three hundred thousand (300,000) shares, with the remaining Offer Shares, if any, being allocated on a pro-rata basis based on the portion of the Offer Shares applied for by each Individual Investor out of the total number of shares applied for. If the number of Individual Investors exceeds one hundred fifty thousand (150,000) investors, the Company will not guarantee the minimum allocation. In this case, the allocation shall be made in accordance with the allocation mechanism mentioned in Section 18.4.1.
Refund of Excess Subscription Monies	Any surplus subscription proceeds will be refunded without charge or withholding by the Lead Manager or Receiving Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by 29/03/1443H (corresponding to 04/11/2021G) at the latest. (For further details, see Page O ("**Key Dates and Subscription Procedures**") and Section 18 ("**Subscription Terms and Conditions**").)
Offering Period	The Offering Period will commence on Tuesday 20/03/1443H (corresponding to 26/10/2021G) and will remain open for a period of three days, including and up to the Offering closing date, which occurs on 22/03/1443H (corresponding to 28/10/2021G).
Dividend Distributions	The Offer Shares will be entitled to receive any dividends declared and paid by the Company as at the date of this Prospectus and for subsequent fiscal years. (For further details, see Section 7("**Dividend Distribution Policy**").)
Voting Rights	All Company shares are one class of ordinary shares, and none of the shares confer preferential voting rights. Each share entitles its holder to one vote and each Shareholder has the right to attend and vote at General Assembly meetings. A Shareholder has the right to delegate another non-Board Member Shareholder to attend General Assembly meetings on their behalf (for further details, see Section 12.16 ("**Description of the Shares**")).
Restrictions on the Shares (Lock-Up Period)	**The Substantial Shareholders will be subject to a lock-up period** during which they will be prohibited from disposing of any of their shares for a period of six (6) months from the date trading begins on the Exchange. Substantial Shareholders may not dispose of any of their shares during the Lock-up Period. (For more information, see Table 1.2 ("**Substantial Shareholders and Their Shareholding Percentages in the Company Pre- and Post-Offering**") of the Offering Summary on Page K.)

Listing and Trading of Shares	Prior to the Offering, there has been no public trading or listing of the shares in any market in the Kingdom of Saudi Arabia or elsewhere. The Company has submitted an application to the CMA to register and offer the shares in accordance with OSCOs. The Company has also submitted a listing application to the Exchange in accordance with the Listing Rules. All relevant approvals pertaining to the Offering have been obtained. All supporting documents required by the CMA have been submitted. All requirements have been met, including requirements for listing the Company on the Exchange, and all approvals pertaining to the Offering have been granted. Trading in the Offer Shares is expected to commence on the Exchange soon after the final allocation of the Offer Shares.
Risk Factors	There are certain risks related to the investment in the Offer Shares. These risks can be generally categorised into: (i) risks relating to the Company's business; (ii) risks relating to the market, industry and regulatory environment; and (iii) risks relating to the Offer Shares. These risks are described in Section 2 ("**Risk Factors**") of this Prospectus and the Important Notice in the introduction, which should be considered carefully prior to making a decision to invest in the Offer Shares.
Offering Expenses	The Selling Shareholders will bear all Offering expenses and costs, estimated at around thirty-five million Saudi Riyals (SAR 35,000,000). These costs will be deducted from the Offering Proceeds and include the fees of the Financial Advisor, the Underwriters, the Issuer's Legal Advisor, the Chartered Accountants, the Financial Due Diligence Advisor, the Auditors, the Receiving Agents, and the Market Consultant in addition to marketing, printing, distribution and other relevant expenses.
Financial Advisor, Lead Manager, Bookrunner and Lead Underwriter	GIB Capital.
Co-Underwriter	Albilad Investment Company.

Note

Page A ("**Important Notice**") and Section 2 ("**Risk Factors**") should be read thoroughly prior to making any decision to invest in the Offer Shares.

Key Dates and Subscription Procedures

Table (1-3): Projected Offering Timetable

Projected Offering Timetable	Date
Processing Participating Parties' Applications and Book-Building	Starting on Sunday 04/03/1443H (corresponding to 10/10/2021G), until 12 pm Tuesday 13/03/1443H (corresponding to 19/10/2021G)
Individual Investors' Subscription Period	The Offering Period will last for three days, commencing on Tuesday 20/03/1443H (corresponding to 26/10/2021G), until the end of Thursday 22/03/1443H (corresponding to 28/10/2021G)
Deadline for Participating Parties to Submit Application Forms Based on the Provisionally Allocated Offer Shares	Sunday 18/03/1443H (corresponding to 24/10/2021G) 4 pm
Deadline for Individual Investors to Submit Application Forms and Pay Subscription Monies	Thursday 22/03/1443H (corresponding to 28/10/2021G)
Deadline for Participating Parties to Pay Subscription Monies Based on the Provisionally Allocated Offer Shares	Wednesday 21/03/1443H (corresponding to 27/10/2021G)
Announcement of Final Offer Shares Allotment	Thursday 29/03/1443H (corresponding to 04/11/2021G)
Refund of Excess Subscription Monies (if any)	29/03/1443H (corresponding to 04/11/2021G)
Expected Start Date of Trading on the Exchange	Trading in the Offer Shares is expected to commence after all relevant legal requirements and procedures have been completed. An announcement of the commencement of trading of the shares will be made on Tadawul's website: www.saudiexchange.sa

Note: The above timetable and dates therein are approximate. Actual dates will be communicated through announcements appearing on the Tadawul website, (www.saudiexchange.sa), the Financial Advisor's website, www.gibcapital.com, and the Company website, www.al-arabia.com

How to Apply for the Offering

Subscription for the Offer Shares is restricted to the following categories of Investors:

Tranche A - Participating Parties: This tranche includes all parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, see Section 1 ("**Definitions and Abbreviations**") and Section 18 ("**Subscription Terms and Conditions**")).

Tranche B - Individual Investors: This category consists of Saudi natural persons, including any divorced or widowed Saudi woman with minor children from a marriage to a non-Saudi, who is entitled to subscribe to the Offer Shares in their names on her own behalf on the condition that she provides proof that she is divorced or widowed and the mother of her minor children. It also includes GCC investors who are natural persons holding bank accounts. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is demonstrated to have occurred, then the law shall be enforced against that person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Participating Parties:

Participating Parties can obtain Application Forms from the Bookrunner during the book-building process period and can obtain Subscription Application Forms following the provisional allocation. The Bookrunner shall, with the approval of the CMA, offer the Offer Shares to Participating Parties only during the book-building period. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Investors, in accordance with the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunner. This form represents a legally binding agreement between the Selling Shareholders and the Participating Party submitting the form.

Individual Investors:

Subscription Application Forms will be made available to Individual Investors during the Offering Period at Receiving Agent branches. Individual Investors may also subscribe through the Internet, telephone banking or ATMs of Receiving Agents that offer any of these services to Individual Investors who have recently participated in previous Offerings, provided that the following requirements are satisfied:

a) the Individual Investor has a bank account with a Receiving Agent which offers such services; and
b) there have been no changes to the Individual Investor's personal or private information (removal or addition of a family member) since they last participated in an IPO.

Subscription Application Forms must be completed in accordance with the instructions set out in Section 18 ("**Subscription Terms and Conditions**") of this Prospectus. An applicant must complete all relevant sections of the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in whole or in part, if any of the subscription terms and conditions are not met. The Subscription Application Form may not be amended or withdrawn once submitted. Furthermore, the Subscription Application Form shall, upon submission, be a binding agreement between the relevant Investor and the Selling Shareholders (for further details, see Section 18 ("**Subscription Terms and Conditions**")).

Excess subscription monies, if any, will be refunded to the Investor's main account at the Receiving Agent from which the subscription value was debited, without any commissions or withholding by the Lead Manager or Receiving Agents. Excess subscription monies shall not be refunded in cash or to third-party accounts.

For more information on the subscription of Individual Investors and the Participating Parties, see Section 18 ("**Subscription Terms and Conditions**") of this Prospectus.

Summary of Key Information

This summary of key information is intended to provide an overview of the information contained in this Prospectus. This Prospectus does not contain all information that may be important to prospective investors. Accordingly, this summary must be treated as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full. Any decision by a prospective investor to invest in the Offer Shares should be based on the consideration of this Prospectus as a whole. In particular, it is important to carefully consider Page A ("**Important Notice**") and Section 2 ("**Risk Factors**") prior to making a decision to invest in the Offer Shares.

Overview of the Company

The Arabian Contracting Services Company was incorporated as a Saudi Arabian limited liability company in Riyadh under Commercial Register No. 1010048419 on 18/05/1403H (corresponding to 03 March 1983G) with a capital of one million Saudi Riyals (SAR 1,000,000) for the objective of engaging in the business of outdoor advertising, particularly installing and operating outdoor advertising billboards. The Company was converted into a (closed) joint stock company under HE Minister of Commerce Resolution No. 1132 issued on 02/05/1427H (corresponding to 30 May 2006G). At the same time, the Company's capital was increased from one million Saudi Riyals (SAR 1,000,000) to sixty million Saudi Riyals (SAR 60,000,000) by transferring twenty-three million, nine hundred nine thousand, one hundred three Saudi Riyals (SAR 23,909,103) from the shareholder's accounts receivable and capitalising a sum of thirty-five million, ninety thousand, eight hundred ninety-seven Saudi Riyals (SAR 35,090,897) out of the retained earnings. On 02/12/1429H (corresponding to 30 November 2008G), the Company increased its capital from sixty million Saudi Riyals (SAR 60,000,000) to one hundred fifty million Saudi Riyals (SAR 150,000,000) divided into fifteen million (15,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share through a cash contribution from the shareholders of thirteen million, four hundred thousand Saudi Riyals (SAR 13,400,000), capitalisation of sixty-nine million, eight hundred eighty-five thousand, five hundred eighty-two Saudi Riyals (SAR 69,885,582) out of the retained earnings, and the transfer of six million, seven hundred fourteen thousand, four hundred eighteen Saudi Riyals (SAR 6,714,418) from the balance of the statutory reserve. On 22/06/1433H (13 May 2012G), the Company increased its capital from one hundred fifty million Saudi Riyals (SAR 150,000,000) to two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share through capitalisation of forty-four million, four hundred sixty-four thousand, nine hundred sixty-six Saudi Riyals (SAR 44,464,966) from the retained earnings and fifteen million, five hundred thirty-five thousand, thirty-four Saudi Riyals (SAR 15,535,034) from the balance of the statutory reserve. On 21/06/1435H (corresponding to 21 April 2014G), the Company increased its capital from two hundred ten million Saudi Riyals (SAR 210,000,000) to five hundred fifty million Saudi Riyals (SAR 550,000,000) divided into fifty-five million (55,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through capitalisation of three hundred one million, forty-six thousand, six hundred forty-five Saudi Riyals (SAR 301,046,645) from the retained earnings and thirty-eight million, nine hundred fifty-three thousand, three hundred fifty-five Saudi Riyals (SAR 38,953,355) from the balance of the statutory reserve. On 27/03/1440H (corresponding to 12 May 2018G), due to the capital being in excess of the Company's needs, it was decreased from five hundred fifty million Saudi Riyals (SAR 550,000,000) to two hundred fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. On 01/04/1441H (corresponding to 28 November 2019G), the Company increased its capital to meet its future expansion needs from two hundred fifty million Saudi Riyals (SAR 250,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalisation of one hundred seventy-five million Saudi Riyals (SAR 175,000,000) from the retained earnings and seventy-five million Saudi Riyals (75,000,000) from the balance of the statutory reserve.

The Company's head office is located in Olaya Towers, Olaya District, Riyadh. The Company owns Al Arabia Out of Home Advertising Company, a wholly owned subsidiary in the United Arab Emirates. There are also Company branches in Jeddah and Riyadh, through which the Company conducts its various activities in the sectors mentioned below.

The Company's main activity is in the Kingdom of Saudi Arabia outdoor advertising sector. It started operating in this sector about thirty-five years ago. The Company is currently considered the frontrunner of companies operating in this sector in the Kingdom of Saudi Arabia in terms of market share and revenue. The Company's business includes setting up, operating and maintaining outdoor advertising billboards, specifically roadside advertising and indoor advertising.

Al Arabia is a leading company in outdoor advertising in the Kingdom of Saudi Arabia. As at 31 December 2020G, the Company had about 4,942 roadside billboards and 73 indoor billboards. The Company has a variety of billboards utilising different technologies to meet various client needs, including static billboards, dynamic billboards and digital billboards.

The Company has recently introduced new types of billboards in line with global developments in the outdoor advertising sector that maximise the direct impact of these billboards on the public and users. This was demonstrated by "The Guide" screen that was installed and operated at the beginning of 2021G on Prince Mohammed Bin Abdulaziz Street – Tahlia Street, in Riyadh. These billboards are located in about 28 cities across the Kingdom of Saudi Arabia, making Al Arabia the company in this sector with the greatest geographical coverage in the country according to the market study report prepared by the Market Consultant, Frost & Sullivan.

Outdoor advertising is a core advertising method that specifically targets people outside their homes, whether they are pedestrians, drivers, passengers, shopping centre visitors, or airport travellers. Outdoor advertising is divided into three categories, by location: (1) roadside advertising, (2) indoor advertising, and (3) transit advertising. The Company's business is currently limited to roadside advertising and indoor advertising. The Company carries out its activities through an integrated business model that encompasses all operational processes that serve the outdoor advertising sector, involving billboard installation (including site construction operations and electrical works), marketing and selling advertising spaces to clients, printing advertisements and installing them on billboards, and maintenance operations. The Company carries out silk-screen printing (a printing technique using a silk screen to print advertisements), offset printing (a printing technique using metal printing plates in various printing operations) and digital printing (a printing technique in which computer systems are used to print advertisements).

Recently, the Company introduced digital billboard technology to its billboards. These billboards are attractive and capable of displaying a greater number of advertising panels, and the advertisements displayed thereon can be instantly changed from the Company's main control centre, thus facilitating the implementation of advertising campaigns for the Company's clients.

The Company's business includes setting up and operating outdoor advertising billboards, including roadside advertising and indoor advertising. With respect to roadside advertising, the Company participates in tenders organised by various secretariats, municipalities, and government agencies throughout the Kingdom of Saudi Arabia to lease and invest in numerous sites belonging to these agencies and secretariats by installing billboards and selling the advertising space on such billboards to clients. The Company has recently expanded its business by entering the indoor advertising market. In this regard, the Company has entered into a number of exclusive contracts with the owners of commercial centres in different regions within the Kingdom of Saudi Arabia.

Vision

To cement our position as the leading Saudi company in out-of-home media and to become the catalyst of the national economy, in the media sector, by expanding our leadership in the Middle East region.

Mission

To provide cities and clients with top-notch advertising products, data driven solutions and world-class services using international standards and the latest technologies.

Strategy

- Maintain a market leading position to help the Company stay at the forefront of companies operating in its field.
- Maintain and increase market share to enhance revenues and profits.
- Raise the operational efficiency of the Company's integrated business model and increase revenues from support services within said model.
- Maintain and improve the quality of services by introducing the latest technologies in the field of outdoor advertising.
- Increase sales through direct marketing to strategic clients.
- Maintain the Company's excellent financial position and establish factors of resistance to recession stages in economic cycles through proper advance planning.

- Expand the field of information technology by using data to grow the Company's business and provide effective information solutions to clients, which serve their goals and help them reach their clients in a scientific manner and analyse the available data on consumers.

- Consider remunerative alliances and partnerships that support geographical expansion to enhance the Company's position, maintain its leadership locally and regionally and benefit from global experiences in this field.

Competitive Advantages

- **The Company operates in the largest economy in the Middle East and North Africa, in addition to a developing market supported by stable macroeconomics and the Kingdom of Saudi Arabia's Vision:** The Saudi economy is the largest and most attractive economy in GCC countries and the Middle East, with a GDP of about 3.0 trillion Saudi Riyals in 2019G. It is supported by developments related to macroeconomic factors and enhanced by the following:

  – A high population growth rate. The total population of the Kingdom of Saudi Arabia is expected to reach about 34.3 million persons, with the percentage of people aged 29 years and younger estimated to be 47% of the total population as at the end of 2019G. CAGR is expected to reach 1.4% from 2020-2024G.

  – Per capita disposable income increased at a CAGR of about 1.8% (in terms of nominal value) from 2017-2019G, with an expected CAGR of 3.5% (in terms of nominal value) from 2020-2024G, due to general economic growth and women's empowerment in the labour market, along with an expected decline in unemployment rates.

  – The continuing trend of horizontal urbanisation (with about 84% of the total population residing in cities in 2019G), and the increasing number of middle- and high-income families (with the number of high-income families expected to increase by about 40% from 2020-2024G).

  – Continued economic reforms having a positive impact on the Kingdom of Saudi Arabia, including providing investment opportunities for the private sector in multiple economic sectors and activities, increasing investments in infrastructure, developing new economic sectors (such as the tourism and entertainment sector) and encouraging women's participation in the labour market.

- **The Company has a leading position in the outdoor advertising sector in local and regional markets and is ranked the world's 14th top advertising company:** According to Frost & Sullivan, the Company was ranked 14th among the world's top outdoor advertising companies in 2018G and 12th in 2019G in terms of revenue. Locally and regionally, the Company is considered the largest company operating in the field of outdoor advertising in terms of revenue. Its market share was estimated at about 65.8% of total spending on outdoor advertising in the Kingdom of Saudi Arabia during 2019G and 62.3% during 2020G, according to the market study report prepared by the Market Consultant, Frost & Sullivan.

- **The Company operates in the outdoor advertising sector, which has unique characteristics that fundamentally distinguish it from all other forms of advertising:** The outdoor advertising sector witnessed growth of 20% for the period between 2013G and 2019G due to its advantages over all other audio-visual advertising methods, which cannot compete with outdoor advertising due to their inability to provide advertisers with the same features as roadside advertisements. For example, roadside advertising is not subject to consumers' choice or ability to control whether or not it is viewed. Outdoor advertisements are considered less expensive than other advertising channels. With the introduction of new digital screens that are able to collect viewing data and viewer characteristics, outdoor advertising possesses all the features advertisers are looking for to increase views and grow their profits, by using and analysing the available data to determine how, when and where ads are displayed according to the viewer data collected.

- **The Company's financial performance and profits dating back several decades, and its strong financial and profit position:** The Company has a strong financial position and high profit margins of 30%, 43% and 19.8% in the past three years (2018G to 2020G) respectively. Note that gross profit margin decreased from 42.7% in 2019G to 19.8% in 2020G due to the curfew and complete shut-down in the Kingdom of Saudi Arabia to curb the spread of coronavirus (COVID-19). The Company has demonstrated its strong financial position and ability to achieve sustainable profitability by facing the recession stages of economic cycles, such as the recent phases that occurred in 2016G and 2017G, affecting the sector in general. However, the Company continued to record profits in all those years. Moreover, the Company has not recorded any operating losses to date.

- **The Company leads major transformations in the outdoor advertising sector by introducing modern technical methods to take advantage of information technology in the outdoor advertising sector:** The Company has been a leader in, and continues to contribute to, finding and creating new trends in the outdoor advertising sector. For example, it is the first company to start operating digital billboards (Mezah) in the Kingdom of Saudi Arabia, such as those installed on King Fahd Road in Riyadh. This type of billboard has greatly improved how ads are displayed on the roadside due to the flexibility it provides to advertisers. With respect to the Company, this type of screen provides the ability to centralise control through a main control room to broadcast, monitor and collect all data related to advertisements, such as viewing rates, viewers' impressions, and viewers' demographic factors. This is undoubtedly considered the most important data for advertisers, as it enables them to conduct proper planning for their target groups.

- **The Company has a management team with extensive experience in outdoor advertising, led by the founding family:** The Company has a management team with extensive experience in outdoor advertising. The management team includes members of the Company's founding family who have been working to maintain a cohesive work culture in line with the family's values, which reflects the extent of their commitment to the Company and achieving its objectives. The Company takes care of governance, including the powers of the Board of Directors and its committees, in accordance with the relevant instructions.

Market Study Summary

The data and information contained in this Prospectus pertaining to the market and sector in which the Company operates were obtained from the Market Study Report prepared by Frost & Sullivan ("**Market Consultant**" or "**Frost & Sullivan**"), which specialises in market studies and joint research. The study was released on 3 June 2021G.

Founded in 1961G, Frost & Sullivan has more than 1,200 employees in over 40 offices worldwide working exclusively therefor as at March 2020G. For more information, please visit the Market Consultant's website (ww2.frost.com).

Neither the Market Consultant nor its shareholders, board members or relatives thereof own any share or interest of any kind in the Company or its subsidiary. The Market Consultant has given and not withdrawn as at the date of the publication its written consent to use the market data and research in the manner and form presented in this Prospectus.

Overview of the Outdoor Advertising Market and Sector

Outdoor advertising is an important and essential media for advertising agencies and their clients. A large billboard with an eye-catching appearance will attract the attention of consumers better than other mediums. The importance of outdoor advertising is mainly due to the nature of its distribution in an outdoor environment and the ease of displaying it to a very large number of passers-by.

While an advertisement in a newspaper or magazine can be skipped or ignored, or a commercial break on the TV or Internet can be avoided by switching channels (or even fast-forwarding through DVRs), a large billboard or even a series of Mupi advertisements in malls or Megacom billboards cannot be ignored when people are travelling, walking or shopping.

The unique nature of this advertising method makes it an indispensable option for all major marketing campaigns and a means for brand-building. It is often the preferred choice for publicising the launch of major campaigns and new ads. This method has managed to survive and compete with other methods because it encompasses several features that are not provided by other advertising mediums.

2020G was fraught with challenges for the outdoor advertising market. The decrease in outdoor advertising expenditure in 2020G is attributed to lower consumer mobility and traffic together with limited international transportation. The sectors that witnessed a significant decrease in advertising expenditure were automotive trade, retail trade, travel and tourism. In 2020G, the global market share for outdoor advertising decreased to 4.75% of the total advertising expenditure. However, it is estimated that it will grow to 5% in 2021G and will continue to grow thereafter.

While advertising expenditure will increase proportionate to the economic recovery, improved business conditions, increased mobility and consumer high morale in 2021G, outdoor advertising, especially digital advertising, will continue to push the advertising market ecosystem forward.

With the advent of the Internet, digital media, and social media sites (Facebook, Instagram and Twitter) introducing new advertising platforms, traditional mediums used by advertisers have undergone radical change. Most traditional media such as print (magazines and newspapers), television and radio have suffered a decline in their share of advertising revenue in the past decade. Digital media is expected to dominate advertising expenditure in 2021G, accounting for 50% of the market share, with social media, search and video expected to be key factors of this growth.

Meanwhile, the oldest outdoor advertising medium has not been affected by the onslaught of digital technology. Instead, it has thrived and still has a bright future. Through the principle of 'adapt or perish', outdoor advertising has been able to continually adapt to changing circumstances. Outdoor advertising is experiencing a wave of prominence by incorporating digital sophistication into digital outdoor advertising media options. Some outdoor media sites can display changing videos and images in a loop with a mechanism that enables consumers to express opinions and make automated purchases without human intervention.

The following table details total global advertising expenditure on various media and the resulting growth rate on an annual basis from 2013G to 2020G:

Table (1-4): Global Advertising Expenditure by Media (2013G-2020G)

Advertising Media	2013G SAR Million	2014G SAR Million	2015G SAR Million	2016G SAR Million	2017G SAR Million	2018G SAR Million	2019G SAR Million	2020G SAR Million
Television	738,667	759,484	760,121	786,108	781,192	779,819	774,828	674,875
Newspapers	270,807	256,647	235,731	214,334	194,891	179,642	159,486	120,795
Magazines	147,120	142,195	134,362	132,064	122,403	112,707	101,324	79,350
Radio	125,609	129,061	128,513	134,121	135,195	139,481	138,728	118,077
Cinema	9,092	10,857	11,549	12,773	13,671	14,537	15,909	6,354
Outdoor Advertising	115,740	113,102	123,696	126,979	129,045	135,891	139,723	104,150
Digital Media	385,531	464,911	555,433	650,363	755,608	869,065	1,032,101	1,088,248
Total Advertising Expenditure	1,792,566	1,876,257	1,949,405	2,056,742	2,132,005	2,231,142	2,362,099	2,191,849

Source: Frost & Sullivan

According to the above table, global outdoor advertising expenditure amounted to approximately SAR 139,723 million in 2019G, with a CAGR of 3.2% from 2013G to 2019G. Apart from digital advertising, which is growing rapidly, expenditure on the outdoor advertising sector has increased continuously during this period compared to the growth of other advertising media sectors. As a result of the COVID-19 pandemic, it is estimated that this sector has witnessed a significant decrease in expenditure, as it decreased by approximately 25.5% to SAR 104,150 million by 2020G due to the effects of the shutdown and the significant drop in the movement of persons.

Notwithstanding digitisation, which is growing rapidly, spending on the outdoor advertising sector has grown at a fairly steady rate between 2013 and 2020G compared to the growth of other advertising media sectors.

In general, it is expected that brands will benefit from outdoor advertising media through customised offers, targeted messages and services designed specifically to influence the target audiences. The key factors of success and successful expenditure in outdoor advertising for any brand depend on understanding consumers' changing expectations and reorienting the brand's perception of consumers' changing values and behaviours.

Key Trends in the Global Outdoor Advertising Market

A major development in the media market is the rapid conversion to and adoption of digital media options for outdoor advertising. These digital media options for outdoor advertising are growing at a much faster rate than traditional outdoor advertising media. It is expected to continue to drive global expenditure on outdoor advertising in the short term. Globally, there is enormous potential in strategically placed digital outdoor advertising sites, especially within indoor spaces such as malls, gyms and retail stores. As such, digital outdoor advertising expenditure will be the driving force behind the growth of the outdoor advertising business in the future.

In some developed advertising markets such as the UK and Australia, the share of digital outdoor advertising as a percentage of outdoor advertising is already more than 40%. According to specialists' expectations, the growth of digital outdoor advertising expenditure is likely to exceed two to three times the growth in traditional outdoor advertising. Some of the main drivers of the growth of digital outdoor advertising worldwide are the general drop in the cost of digital screens, the development of automated advertising software and the integration of technologies such as the Internet of Things into digital outdoor advertising.

One of the major factors driving the growth of the outdoor advertising sector around the world is advertisers' shift from traditional static outdoor media to digital outdoor advertising media by digitising existing static sites. The effectiveness of digital outdoor advertising can be assessed through key performance indicators such as traffic patterns, weather, special occasions, changes in time of day and an overall ROI measure. Digital outdoor advertising media can also measure the total number of people who have passed by billboards during certain times and so on.

Table (1-5): Global Expenditure on Outdoor Advertising and Digital Outdoor Advertising (2013G-2020G)

Gregorian Year	Global Expenditure on Non-Digital Outdoor Advertising	Annual Growth Rate of Outdoor Advertising (%)	Global Expenditure on Digital Outdoor Advertising SAR Million	Annual Growth Rate of Digital Outdoor Advertising (%)
2013G	115,740	-	11,060	-
2014G	113,102	(2.3%)	11,876	7.4%
2015G	123,696	9.4%	14,716	23.9%
2016G	126,979	2.7%	17,565	19.4%
2017G	129,045	1.6%	19,142	9.0%
2018G	135,891	5.3%	22,252	16.2%
2019G	139,723	8.2%	27,673	24.4%
2020G	104,150	(25.5%)	22,785	(17.70%)

Source: Frost & Sullivan and the Company

As shown in the table above, digital outdoor advertising expenditure has been growing at a higher rate compared to overall expenditure on outdoor advertising media over the past years. Outdoor advertising includes billboards in outdoor spaces such as highways, bridges, streets and other open areas. Digital outdoor advertising includes all types of outdoor billboards using electronic LED screens to display advertisements. These billboards may also contain smart technologies and integrated software dedicated to ensuring a higher percentage of views by displaying selected advertisements based on location and regional demographics, thus improving the ROI.

Most outdoor billboards account for the majority of digital outdoor advertising media expenditure and comprise the market share majority of the global outdoor advertising market based on the type of advertising site. However, this sector is expected to gradually decline, as most expenditure over the next few years is expected to be made on the public transportation and roadside furniture sectors, which are growth/expenditure attractive sectors. It is also a low-cost option for advertisers.

Globally, the widespread adoption of 5G technology is also driving expenditure on programmable digital outdoor advertising. This trend is expected to drive the growth of the global outdoor advertising market. For example, 5G technology will allow greater coordination between mobile site services and digital outdoor advertising. Relying on cell phone data, messages on digital outdoor advertising media in malls, neighbourhoods or high traffic centres can be used to send people to a theatre or restaurant or inform them of a specific store offer, etc.

Meanwhile, the willingness of advertisers to embrace programmed outdoor advertising media along with new developments in artificial intelligence, machine learning and analysis is expected to increase tailored advertising campaigns by targeting specific demographic areas, which in turn will lead to higher ROI and sales.

In light of the foregoing, the Kingdom of Saudi Arabia is well-positioned to increasingly adopt new digital technologies in outdoor advertising, which will lead to sustainable growth in expenditure on digital outdoor advertising in the future.

The Outdoor Advertising Market in the Kingdom of Saudi Arabia

The performance of the Saudi advertising market is closely related to the Kingdom of Saudi Arabia's economic outlook. However, outdoor advertising expenditure was unpredictable and inconsistent with the usual pattern. Compared to global growth trends, the rise in outdoor advertising expenditure in the Kingdom of Saudi Arabia was volatile. Over the past five years, the outdoor advertising market in the Kingdom of Saudi Arabia witnessed an initial decline, followed by a gradual recovery in 2018G and 2019G.

Table (1-6): Advertising Expenditure and Outdoor Advertising Expenditure in the Kingdom of Saudi Arabia (2015G-2020G)

Gregorian Year	Advertising Expenditure SAR Million	Annual Growth Rate of Advertising Expenditure (%)	Outdoor Advertising Expenditure SAR Million	Annual Growth Rate of Outdoor Advertising Expenditure (%)
2015G	3,863	-	1,132	-
2016G	3,335	(13.7%)	1,068	(5.7%)
2017G	2,994	(10.2%)	959	(10.2%)
2018G	2,836	(5.3%)	974	1.6%
2019G	2,611	(7.9%)	1,197	22.9%
2020G	2,170	(16.9%)	798	(33.3%)

Source: Frost & Sullivan

Advertising expenditure in the Kingdom of Saudi Arabia has been slow, with negative growth of 10.2% and 5.3% in 2016-2017G and 2017-2018G respectively. During the same time period, Saudi expenditure on outdoor advertising witnessed negative growth of 10.2% in 2016-2017G, followed by positive growth of 1.6% in 2017-2018G. Accordingly, it should be noted that despite the recession and the consequential declines in advertising expenditure in 2016G-2018G, outdoor advertising expenditure in the Kingdom of Saudi Arabia gradually recovered by 2018G, which reinforces growing expenditure on outdoor advertising. It also supports the idea that outdoor advertising is advertisers' preferred medium and confirms that outdoor advertising is primarily affected by economic cycle and expenditure trends. However, it is not affected by competition from other available advertising channels. Other factors contributing to this growth include government expenditure on outdoor advertising and the benefits of the digitisation of many indoor sites in the region.

Summary of Financial Information

The summary financial information set out below should be read in conjunction with the Company's financial statements for the fiscal year 2018G and the Company's consolidated financial statements for the fiscal years 2019G and 2020G, and the accompanying notes thereto, which are included in this Prospectus as part of the Auditors' Report and Management's Discussion and Analysis of Financial Position and Results of Operations. The financial statements for the fiscal years ended 31 December 2018G, 2019G and 2020G were audited by Baker Tilly MKM (Chartered Accountants).

Table (1-7): Financial Statements for 2018G, 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December			
	2018G Audited	2019G Audited	2020G Audited	CAGR 2018G-2020G
Statement of Income				
Revenues	639,157	787,498	497,585	(11.8%)
Cost of Revenue	(449,023)	(451,075)	(398,540)	(5.8%)
Gross Profit	190,134	336,424	99,046	(27.8%)
Selling & Marketing Expenses	(20,369)	(42,422)	(11,066)	(26.3%)
General and Administrative Expenses	(22,864)	(29,550)	(36,553)	(26.4%)
Profit from the Main Ongoing Business	146,900	264,452	51,427	(40.8%)
Finance Expenses	(4,649)	(31,573)	(21,252)	113.8%
Other Revenues, Net	600	1,213	327	(26.2%)
Net Profit Before Zakat	142,850	234,092	30,502	(53.8%)
Zakat	(9,164)	(8,746)	(5,301)	(23.9%)
Net Profit	133,686	225,346	25,201	(56.6%)
Total Comprehensive Income	132,999	224,660	26,136	(55.7%)
Cash Flow				
Net Cash Generated from Operating Activities	352,015	526,706	348,655	
Net Cash Used in Investing Activities	(47,391)	(43,862)	(56,753)	
Net Cash Used in Financing Activities	(330,824)	(465,278)	(301,405)	
Net Change in Cash on Hand and in Banks	(26,200)	17,566	(9,503)	
Cash on Hand and in Banks as at December 31	18,523	36,089	26,586	
Financial Position				
Total Non-Current Assets	105,727	899,545	849,291	183.4%
Total Current Assets	642,756	489,517	465,579	(14.9%)
Total Assets	748,483	1,389,062	1,314,870	32.5%
Total Equity	439,321	524,281	526,417	9.5%
Total Non-Current Liabilities	12,139	329,646	328,935	420.6%
Total Current Liabilities	297,022	535,135	459,518	24.4%
Total Liabilities	309,161	864,781	788,453	59.7%
Total Liabilities and Equity	748,483	1,389,062	1,314,870	32.5%
Key Performance Indicators				
Gross Profit Margin	29.7%	42.7%	19.9%	(18.2%)
Net Profit Margin	20.9%	28.6%	5.1%	(50.8%)
Return on Assets	17.9%	16.2%	1.9%	-
Return on Equity	30.4%	43.0%	4.8%	-
Current Assets/Current Liabilities	2.2x	0.9x	1.0x	-
Debt to Total Equity	0.32x	0.46x	0.25x	-

Source: Audited financial statements

* The Company's management calculates financial performance indicators, such as gross profit margin, net profit margin, liquidity ratios, returns on assets and shareholders' equity, and growth rates, by using items of the financial statements, whose classification may differ from that used by other companies which calculate the same financial performance indicators. Accordingly, the Company does not guarantee that the indicators calculated by it will be consistent with those calculated by other companies.

** Calculated using the balance of bank loans to total equity for the relevant period. Lease liabilities are excluded from the equation.

Summary of Risk Factors

Before deciding to invest in the Offer Shares, prospective investors should carefully study all the information included in this Prospectus, in particular the risk factors listed below and described in detail in Section 2 ("**Risk Factors**").

a- Risks Related to the Company's Operations

1. Risks related to the conclusion of lease agreements for new advertising sites and renewal of lease agreements for existing sites.
2. Risks related to the Company's reliance on contracts with government and quasi-governmental entities.
3. Risks related to the concentration of the Company's business and revenue in the outdoor advertising sector.
4. Risks related to reliance on major clients.
5. Risks related to the level of services and products provided and positive reputation.
6. Risks related to the protection of intellectual property rights.
7. Risks related to damage or destruction of Company billboards.
8. Risks related to the Company's reliance on proper maintenance of its assets.
9. Risks related to transactions and contracts with related parties.
10. Risks related to the availability of raw materials and spare parts and fluctuation in the prices thereof.
11. Risks related to the realisation of expansion plans.
12. Risks related to potential Zakat assessments.
13. Risks related to credit
14. Risks related to keeping pace with developments in the field of advertising.
15. Risks related to adequacy of insurance coverage.
16. Risks related to financing.
17. Risks related to bank guarantees provided to the Company by two shareholders.
18. Risks related to the high ratio of advertising site rental costs to total operating income costs.
19. Risks related to regulatory licenses and permits.
20. Reliance on key employees and their job performance and the ability to recruit qualified persons.
21. Risks related to employee mistakes or misconduct.
22. Risks related to the formation of the Board of Directors.
23. Risks related to the possession of confidential information about the Company's customers, employees and business.
24. Risks related to the requirements of Saudization and the Labour Law.
25. Risks related to litigation.
26. Risks related to the Company's implementation of the newly approved internal governance regulations.
27. Risks related to the recent conversion into a joint stock company listed on Saudi Tadawul Group.
28. Risks related to organisational risk.
29. Risks related to Current Shareholders and some Board Members engaging in business competing with the Company's business.
30. Risks related to the Company's inability to exploit its leased advertising sites.
31. Risks related to operating systems and information technology.
32. Risks related to the Company's implementation of International Financial Reporting Standards (IFRS).
33. Risks related to acquisitions and joint ventures.
34. Risks related to the depreciation of the book value of some assets.
35. Risks related to infectious disease outbreaks or other public health concerns, including the ongoing global spread of the coronavirus (COVID-19).
36. Risks related to housing the Company's employees during the COVID-19 pandemic.
37. Risks related to assessment of ECL on accounts receivables.
38. Risks related to the registration of discounts and the extension of campaign periods.
39. Risks related to the Companies Law.

40. Risks related to the Shareholders Agreement and rights granted to MBC Group Holdings.
41. Risks related to working capital management.
42. Risks related to using short-term loans to pay rent.
43. Risks related to the Company’s capital investments.
44. Risks related to commissions earned by sales personnel.
45. Risks related to the Company’s exposure to unforeseen operational risks and commercial obstacles.

b- Risks Related to the Market, Industry and Regulatory Environment

1. Risks related to the impact of economic risks in the Kingdom of Saudi Arabia on the Company’s operations.
2. Risks related to political instability and security concerns in MENA.
3. Risks related to competition.
4. Risks related to the Competition Law and its Implementing Regulations.
5. Risks related to seasonal factors.
6. Risks related to dependence on favourable economic conditions and advertising trends.
7. Risks related to currency exchange and interest rate fluctuation.
8. Risks related to imports.
9. Risks related to higher government fees imposed on non-Saudi employees.
10. Risks related to the implementation of the Value-Added Tax Law and the violations related thereto.
11. Risks related to imposing additional fees or new taxes.
12. Risks related to changes to the mechanism for calculating Zakat and income tax.
13. Risks Related to changes in the prices of energy, electricity, water and services related to the Company’s operating expenses.

c- Risks Related to the Offer Shares

1. Risks related to absence of a previous market for the Company’s shares.
2. Risks related to actual control by the Current Shareholders after the Offering.
3. Risks related to potential volatility of share price in the market.
4. Risks related to selling a large number of shares in the market after the Offering.
5. Risks related to the inability to distribute dividends.
6. Risks related to offering new shares in the future.

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1- Definitions and Abbreviations

Term	Definition
3M Company	3M Gulf Limited Company LLC, with its head office in the United Arab Emirates.
Advertising Material	Advertising posters and prints to be placed on billboards, cars, walls, windows or floors of various sizes.
Advertising Monitoring Service	A process carried out by professionals for the purpose of collecting statistical information about advertising in terms of quality and quantity.
Advertising Stands	An advertising stand or model made of cardboard, foam, steel, wood and other materials used for displaying consumer products.
AED or Dirham	The official currency of the United Arab Emirates.
Al Arabia Out of Home Advertising Company	Al Arabia Out of Home Advertising Company, a wholly owned subsidiary, located in Dubai Media City in the Emirate of Dubai, United Arab Emirates, with Commercial License No. 95928 dated 18 April 2019G.
Application Form	The application form used by Participating Parties to register their applications for the Offer Shares during the book-building period. This term includes (depending on the case) the appended application form when the price range is changed.
Auditor	Baker Tilly MKM Chartered Accountants.
Bylaws	The Company's Bylaws approved by the General Assembly.
Banner Material	Advertising signs suitable for front lighting.
Billboard or Board Location	Refers to the place where a billboard is located.
Board or Board of Directors	The Company's Board of Directors.
Bookrunner	GIB Capital.
Business Day	Any day on which the Receiving Agents are open in the Kingdom of Saudi Arabia (except for Fridays, Saturdays and public holidays).
Capital Market Institution	A person authorised by the CMA to engage in securities activities.
Chairman	The chairman of the Board of Directors.
Chapalon	A piece of silk stretched on an aluminium frame and used for silk-screen printing.
CM	Centimetre, a unit for measuring length.
CMA	The Capital Market Authority of Saudi Arabia.
Companies Law	The Companies Law, promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10 November 2015G), as amended.
Competition Law	The Competition Law, promulgated by Royal Decree No. M/25 dated 04/05/1425H (corresponding to 21 June 2004G), as amended.
Control	The ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through: 1- Holding 30% or more of the voting rights in the Company, or 2- The right to appoint 30% or more of the administrative staff. The word "**controller**" shall be construed accordingly.
Coronavirus (COVID-19)	An infectious viral disease known as coronavirus or COVID-19, that began to spread in most countries of the world, including Saudi Arabia, at the beginning of 2020G; as a result, the World Health Organisation classified it as a global pandemic.
Corporate Governance Regulations	The Saudi Corporate Governance Regulations issued by the CMA Board under Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13 February 2017G) (under the Companies Law) as amended pursuant to Resolution No. 1-7-2021 issued on 01 June 1442H (corresponding to 14 January 2021G), as amended.
Co-Underwriter	Albilad Investment Company.
Current Shareholders	All current shareholders in the Company, whose names and ownership percentages are shown in Table 5.1 ("**The Company's Direct Ownership Structure Pre- and Post-Offering**"), as follows: • Abdelellah Abdulrahman Alkhereiji. • Engineer Holding Group Company. • MBC Group Holdings Ltd.

Term	Definition
Directors or Board Members	The Company's Board of Directors appointed by the General Assembly whose names appear in Section 5.2.1 ("**Board Members**") of this Prospectus.
Extraordinary General Assembly	The Extraordinary General Assembly of Shareholders convened in accordance with the Company's Bylaws.
Financial Advisor	GIB Capital.
Fiscal Year	The Company's fiscal year, from 1 January to 31 December of each fiscal year.
Flex Face Material	White, translucent advertising signs suitable for back lighting.
FY 2018G	The period starting from 1 January 2018G and ending on 31 December 2018G.
FY 2019G	The period starting from 1 January 2019G and ending 31 December 2019G.
FY 2020G	The period starting from 1 January 2020G and ending 31 December 2020G.
G	Gregorian.
G-20	The main forum for international economic cooperation, composed of leaders from all continents representing developed and developing countries. Collectively, the G-20 member states account for about 80% of world economic output, two-thirds of the world's population, and three-quarters of global trade volume.
GCC	The Cooperation Council for the Arab States of the Gulf.
General Assembly	The Extraordinary General Assembly and/or the Ordinary General Assembly, with "General Assembly" denoting any Company General Assembly.
Government	The government of the Kingdom of Saudi Arabia; the word "governmental" shall be construed accordingly.
Gross Capacity	The total number of available advertising panels on the Company's billboards, noting that the number of advertising panels is calculated based on the maximum advertisements displayed on each billboard at the same time.
H	Hijri.
Individual Investors	Natural Saudi persons, including any divorced or widowed Saudi woman with minor children from a marriage to a non-Saudi, who is entitled to subscribe to the Offer Shares in their names on her own behalf, on the condition that she provides proof that she is divorced or widowed and the mother of her minor children. Also includes GCC investors who are natural persons and resident foreign investors holding valid residency permits and having bank accounts.
Indoor Advertising	Advertising that includes, for example, advertising inside malls, gyms, airports, galleries and residential and commercial complexes.
Instructions on Book Building and Allocation of Shares in Offerings	Instructions on Book Building and Allocation of Shares in Offerings issued under CMA Board Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20 July 2016G), as amended by CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17 September 2019G).
International Financial Reporting Standards (IFRS)	The International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organisation for Certified Public Accountants.
Investors	Participating Parties and Individual Investors.
Jeddah Printing Press	The Company's print shop located in Jeddah, which does business through its branch registered under the name Al Arabia Company Rawiya Printing Press – Arabian Contracting Services Company under Commercial Register No. 4030275525 dated 30/10/1435H.
Kingdom of Saudi Arabia or Saudi Arabia	The Kingdom of Saudi Arabia.
Labour Law	The Saudi Labour Law promulgated by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27 September 2005G), as amended.
Lead Manager	GIB Capital.
Lead Underwriter	GIB Capital.
LED Screens	Electronic screens using LED technology of various sizes. This type of billboard is common in vibrant areas.
Listing	The admission of the Company's shares for trading on the Exchange in accordance with the Listing Rules.

Term	Definition
Listing Rules	The Listing Rules issued by the CMA Board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27 December 2017G) and amended by CMA Resolution No. 1-104-2019 dated 1/2/1441H (corresponding to 30 September 2019G) and amended by Resolution No. 1-22-2021 dated 12/07/1442H (corresponding to 24 February 2021G).
Lock-up Period	The six-month period during which Substantial Shareholders may not dispose of any of their shares, starting from the date the Company's shares start to be traded in the Exchange. Substantial Shareholders may dispose of their shares after the Lock-up Period.
m or Meter	Meter, the measurement unit for lengths, equivalent to 100cm.
m2 or Square Meter	Square meter, a square with each side being one meter long.
Market Consultant	Frost & Sullivan.
MBC Group	MBC Group Holdings Ltd., incorporated in April 2011G in the British Virgin Islands, under British Virgin Islands Certificate of Incorporation No. 1644127.
Media Buyers (MBUs)/Agencies	Companies operating in the advertising industry that purchase available space from media channels (such as billboards, television, newspapers and magazines) for displaying advertising materials.
Media Owner	Companies that own the media through which an advertisement is displayed and offer their services to other parties concerned with creating the advertisement. Media Owners include, for example, outdoor road billboard companies, press institutions and radio and TV channels.
Megacom Billboard	Internally lit double-sided billboards, with each side measuring 3m x 4m, fixed on a steel post. This type of billboard has become common in vibrant areas of target neighbourhoods to communicate the marketing message to residents and visitors.
Mezah Billboards	3m x 4m electronic billboards.
MHRSD	The Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia.
Ministry of Commerce	The Ministry of Commerce in the Kingdom of Saudi Arabia.
Ministry of Media	The Ministry of Media in the Kingdom of Saudi Arabia.
MOMRAH	The Ministry of Municipal, Rural Affairs and Housing in the Kingdom of Saudi Arabia.
Mupi Billboards	Internally lit double-sided billboards, with each side measuring 1.2m x 1.8m, placed at traffic lights on main streets and on sidewalks. This type of billboard is distinguished by being available on a 24-hour basis and allowing both pedestrians and drivers clear and close-up viewing, as well as by being easily changed.
Occupancy Percentage/Rate	One of the Company's key performance indicators, indicating the number of advertising panels used as a ratio of the number of available advertising panels.
Offer Price	One hundred (100) Saudi Riyals.
Offer Shares	Fifteen million (15,000,000) ordinary shares, representing 30% of the Company's capital.
Offering	The offering of fifteen million (15,000,000) ordinary shares, representing 30% of the Company's capital, for subscription on Saudi Tadawul Group.
Offering Period	The Offering Period will commence on Tuesday 20/03/1443H (corresponding to 26/10/2021G) and will remain open for a period of three days, including and up to the Offering closing date, which occurs on Thursday 22/03/1443H (corresponding to 28/10/2021G).
Official Pricing Card or Pricing Card	Prices of official services offered by the service provider.
Offset	A type of printing using printing plates arranged outside the operating machine and then installed on printing machines, used specifically for printing paper brochures and all types of office printed publications.
Ordinary General Assembly	The Ordinary General Assembly of Shareholders convened in accordance with the Company's Bylaws.
OSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by CMA Board Pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27 December 2017G), as amended by Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14 January 2021G), based on the Capital Market Law.
Outdoor Advertising or Out of Home Advertising	Out of home advertising, divided into three categories by location: (1) roadside advertising, (2) indoor advertising, and (3) transit advertising.
Outdoor Advertising Face	The advertising space containing the advertisement to be presented. An advertising medium may contain one or more advertising panels.

Term	Definition
Participating Parties	Means: a) Public and private funds that invest in securities listed on the Saudi Tadawul Group as permitted by the fund's terms and conditions and in accordance with the provisions and limitations stipulated in the Investment Fund Regulations and Book-Building Instructions. b) Authorised persons licensed by the CMA to deal as a principal, in accordance with the Prudential Rules when submitting the subscription application. c) Clients of a person authorised by the CMA to conduct managing activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions. d) Any legal persons allowed to open an investment account in the Kingdom of Saudi Arabia and an account with the Depository Centre, including foreign legal persons who are allowed to invest in the market where the shares of an issuer are to be listed, observing the conditions on listed companies investing in listed securities set out in CMA Circular No. 6/05158 dated 11/08/1435H (corresponding to 9 June 2014G) based on CMA Board Resolution No. 9-28-2014 dated 20/07/1435H (corresponding to 19 May 2014G). e) Government entities, any supranational authority recognised by the CMA, the Exchange, or any other stock exchange recognised by the CMA, or the Depository Centre. f) Government-owned companies, whether investing directly or through a portfolio manager. g) GCC companies and GCC funds, if allowed according to the terms and conditions of such funds.
Person	Any natural or legal person.
Pisa Billboards (Scroller)	Internally lit double-sided 3m x 4m billboards installed on a steel side post with an electronic system that allows four different advertisements to be displayed per panel.
Portrait Billboards	2m x 3m billboards installed on the sidewalks of major and prominent streets. This type of billboard is considered one of the most technologically advanced billboards, with one static side and one dynamic side.
Pre-emptive Rights	Rights granted to both MBC Group Holdings Ltd. and Engineer Holding Group Company pursuant to the Shareholders' Agreement described in Section 7.4.2.2 of this Prospectus, which grant the holder the right to purchase the share of the other person who wishes to sell their share instead of selling it to another person.
Prospectus	This document, which was prepared by the Company regarding the Offering.
Prudential Rules	The Prudential Rules issued pursuant to CMA Board Resolution No. 1-40-2012 dated 17/02/1434H (corresponding to 20 December 2012G), as amended.
Qualified Foreign Investor	A foreign investor qualified to invest in the listed securities pursuant to the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. The qualification application shall be submitted to an authorised person to evaluate and accept in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.
Ramadan	Month of Ramadan.
Receiving Agents	The Receiving Agents whose names are stated on Page H.
Related Party or Parties	The term "Related Party" or "Related Parties" as used in this Prospectus, in accordance with the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority issued by the CMA Board under Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 4 October 2004G), as amended by CMA Board Resolution No. 2-22-2021 dated 12/07/1442H (corresponding to 24 February 2021G), refers to: a) The Issuer's affiliates. b) The Issuer's Substantial Shareholders. c) Directors and senior executives of the Issuer. d) The Directors and senior executives of the Issuer's affiliates. e) The Directors and senior executives of the Issuer's Substantial Shareholders. f) Any relatives of the persons referred to in a, b, c, d or e above, and g) Any company controlled by any person referred to in a, b, c, d, e or f above. In item g, "control" means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (1) Holding 30% or more of the voting rights in the Company, and (2) The right to appoint 30% or more of the members of the administrative staff. The word "controller" shall be construed accordingly.

Term	Definition
Relatives	Husband, wife and minor children. For the purpose of the Corporate Governance Regulations: 1- Fathers, mothers, grandfathers, grandmothers and their ancestors. 2- Children and their descendants. 3- Full brothers and sisters, parental and maternal half brothers and sisters. 4- Husbands and wives.
Reserve Stock	Additional stock provided for use at peak times to meet demand.
Riyadh Printing Press	The Company's print shop located in Riyadh, which does business through its branch registered under the name Al Arabia Company Rawiya Printing Press – Arabian Contracting Services Company under Commercial Register No. 1010057812 dated 14/05/1405H.
Roadside Advertising	A type of outdoor advertising distinguished by its location on roadsides, pedestrian bridges or sidewalks.
SAR or Saudi Riyal	The official currency of the Kingdom of Saudi Arabia.
Saudi Generally Accepted Accounting Standards (GAAP)	The Kingdom of Saudi Arabia's generally accepted accounting standards issued by SOCPA.
Saudization	Saudization requirements applicable in the Kingdom of Saudi Arabia related to the labour market.
Saudization ratio	The percentage of employees who contribute to the level of Saudization within any company, including Saudi citizens and persons married to Saudis. Note that some groups, such as Saudi employees with disabilities, represent greater weight in calculating the Saudization rate.
Secretary	The Secretary of the Board of Directors.
Selling Advertising Spaces	Selling advertising spaces means implementing advertising campaigns agreed upon with clients by displaying them on the Company's billboards.
Selling Shareholders	• Abdelellah Abdulrahman Alkhereiji. • Engineer Holding Group Company.
Senior Executives	Any natural person assigned – individually or jointly with other persons – by the Company's Board of Directors or by a Director to oversee and manage tasks, and who directly reports to the Board, Director or CEO.
Senior Management	The Company managers described in Section 5.4 ("**Senior Management**") of this Prospectus.
Shares	Fifty thousand (50,000,000) ordinary shares of the Company's capital with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.
Shareholders	Any owner of shares in the Company.
SignWorld	SignWorld, a limited liability company registered under Commercial Register No. 1010997845 dated 03/07/1437H. Its activities are the production of billboards, models and advertising stands, and it is a Related Party.
Street Furniture	All pieces installed on streets and roadsides for advertising or non-advertising purposes. These include various types of advertising billboards, benches, traffic barricades, light posts, traffic signs, traffic signs, bus stops, public toilets, fountains and trash bins, etc.
Subscription Application Form	The subscription application form attached hereto which Subscribers should use to subscribe for the Offer Shares.
Subsidiary	Al Arabia Out of Home Advertising Company, a wholly owned subsidiary, located in Dubai Media City in the Emirate of Dubai, United Arab Emirates, with Commercial License No. 95928 dated 18 April 2019G.
Substantial Shareholders	Any person who owns 5% or more of the Issuer's share capital.
Super Structures	Externally lit giant billboards that range in size from 75 m^2 to 400 m^2, allowing for greater visibility, comprehension, and impact due to their large size. In most cases, these billboards are installed on steel supports along highways and some major city centres. This type of advertisement is printed on a high-quality heavy white vinyl background and uses images that are creative and carry impact.
Tadawul/Exchange	Saudi Tadawul Group.
The Capital Market Law (CML)	The Capital Market Law, promulgated by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31 December 2003G), as amended.
The Company/Al Arabia/Al Arabia Company/the Issuer	The Arabian Contracting Services Company

Term	Definition
"The Guide" Billboard	Billboards 2m x 3m in size which are installed on sidewalks of main and prominent city streets. This type of billboard is considered one of the most technologically advanced billboards, with one digital face and one interactive face. It is considered one of the most appropriate advertising means for high-impact promotional campaigns. One of its most significant features is that it can be seen from a distance. It also contains interactive services to interact with pedestrians and is useful for public services.
The Management	The Company's Management.
The Ministry of Investment	The Ministry of Investment in the Kingdom of Saudi Arabia.
The Public	People other than: a) The Issuer's affiliates. b) The Issuer's Substantial Shareholders. c) The Issuer's Directors and senior executives. d) The Directors and senior executives of the Issuer's affiliates. e) The Directors and senior executives of the Issuer's Substantial Shareholders. f) Any relatives of the persons referred to in a, b, c, d or e above. g) Any company controlled by any person referred to in a, b, c, d, e or f above. h) Persons acting together that collectively hold 5% or more of the class of shares to be listed.
Total Spending on Outdoor Advertising	The total amount spent by advertisers on outdoor advertising.
Transit Advertising	Advertising that is displayed on various means of public transportation such as taxis and buses.
UAE	The United Arab Emirates.
Underwriters	GIB Capital and Albilad Investment Company.
Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
USD	The United States dollar, the lawful currency of the United States.
VAT	Value-added tax, also known as a goods and services tax.
Vision 2030	The National Strategic Economic Program, which aims to reduce dependence on oil and the petrochemical industry, diversify the Saudi economy and develop public services.
Walking Bridge Billboards	Walking bridge billboards are one of the largest types of billboards and are installed on bridges connecting the sides of highways.
Zakat Certificates	Zakat certificates issued by the Zakat, Tax and Customs Authority.
Zakat, Tax and Customs Authority or GAZT	The Zakat, Tax and Customs Authority (previously the General Authority for Zakat and Income Tax (GAZT).

2- Risk Factors

Before deciding whether to invest in the Offer Shares, prospective investors are advised to carefully consider all information contained in this Prospectus, particularly the risk factors described below. These risk factors may not include all risks that the Company may encounter, and additional risks may exist that are not currently known by the Company or that may be deemed immaterial but may nevertheless affect the Company's operations.

The Company's business, financial position, results of operations and prospects could be adversely and materially affected if any of the following risks or any other risks that the Directors have not identified or that are currently not considered to be material, actually occur or become material. As a result of such risks or other factors that may affect the Company, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company and/or the Directors expect, or at all. Investors should consider all forward-looking statements in this Prospectus in light of these explanations and should not place undue reliance on forward-looking statements (see "**Forecasts and Forward-Looking Statements**" on page C, Section 11 ("**Declarations**") and Section 16 ("**Company Post-Listing Undertakings**")).

The Directors also acknowledge, to the best of their knowledge and belief, that there are no other material risks besides those mentioned in this section, the non-disclosure of which would affect investors' decisions to invest in the Offer Shares, as at the date of this Prospectus.

Investing in the Offer Shares is only appropriate for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from this investment. A prospective investor who has any doubts concerning the appropriate action to be taken should consult a financial advisor licensed by the CMA for advice in connection with any investment in the Offer Shares.

The risks described below are presented in an order that does not reflect their importance or anticipated effect on the Company. Additional unknown risks and uncertainties or those deemed immaterial now by the Company may also occur and have the impact or consequences described in this Prospectus. Accordingly, the risks described in this section or in any other section of this Prospectus do not purport to be: (a) a complete list of all risks which may affect the Company or its operations, activities, assets or the markets in which it operates; and/or (b) an explanation of all the risks involved in investing in the Offer Shares.

2.1 Risks Related to the Company's Business

2.1.1 Risks Related to the Conclusion of Lease Agreements for New Advertising Sites and the Renewal of Lease Agreements for Existing Sites

The Company does not own any of the advertising sites it uses in its business. It operates these sites under short-, medium, and long-term agreements with secretariats, municipalities, government agencies, the owners of commercial centres and other parties. Agreements with government and quasi-governmental agencies (which include secretariats, municipalities, government agencies, the Ministry of National Guard, Riyadh Development Company, ASAS for Developing and Operating Industrial Cities and Modon) account for the majority of the Company's advertising site leases in terms of number and advertising income. As at 2018G, 2019G and 2020G, lease agreements with these entities numbered 88, 76 and 68, respectively out of 90, 83 and 78 agreements as at 2018G, 2019G and 2020G, respectively, concluded by the Company with various parties for the lease of sites currently used by the Company as advertising sites. Revenue from these sites accounted for approximately SAR 620 million, SAR 772 million and SAR 484 million, constituting 97%, 98% and 97% of the Company's total revenue of SAR 639 million, SAR 787 million and SAR 498 million. The cost of these sites was SAR 380 million, SAR 372 million and SAR 339 million, constituting 85%, 82% and 85% of the total cost of revenue of SAR 449 million, SAR 451 million and SAR 399 million for 2018G, 2019G and 2020G, respectively (see Section 12.7 ("**Material Agreements**")).

Under the lease agreements entered into with MOMRAH municipalities and secretariats, the lessor has the right to terminate the lease agreement unilaterally if the Company breaches its obligations or violates the contract terms (which include payment of the agreed lease amount on the set dates and installation of advertising billboards within the agreed timeframe) or for regulatory reasons or public interest (such as the lessor terminating the agreement to use the sites to develop road works). A lease agreement between the Company and Hafr Al Batin Municipality was terminated on 01/06/1441H (corresponding to 26 January 2020G) for matters of public interest. The Company has also previously been late in making payments on the lease for 32 agreements. Under the provisions of these agreements, late payment of rental amounts could lead to termination of the agreement or provision of electrical power. If a material (whether in terms of agreement revenue or number of leased sites) lease agreement for the Company's advertising sites is terminated, the Company would have to stop using the relevant sites and would lose the revenues generated from such sites, which would have a material adverse effect on the Company's business, financial position, results of operations, and prospects.

The terms of the Company's advertising site leases with secretariats and municipalities range from three (3) to five (5) years. Leases concluded with companies that own commercial centres and other parties have terms ranging from one to fifteen years (see Section 12.7 ("**Material Agreements**")). As at 31 December 2020G, 32 of the Company's advertising site leases (out of a total 87 leases) will expire in one to two years. Revenues generated from the sites under such leases account for about SAR 152 million, representing 31% of the Company's total revenues of SAR 498 million in the fiscal year ended 31 December 2020G. When the current lease terms end, the lessors will issue new tenders for such agreements. The Company may not be able to renew the leases at the end of their terms. If the leases are renewed or if new leases are entered into, the Company may not be able to renew them under the same terms or terms favourable to the Company. Failure to renew or be awarded material advertising leases or to renew or conclude such leases under favourable terms would have a material adverse effect on the Company's business, financial position, results of operations, and prospects. Indoor advertising contracts also expire at the end of their term and are not automatically renewed. Therefore, the Company's failure to renew those contracts or to renew them under similar contractual terms will have an adverse effect on its business, financial position, results of operations, and prospects.

As at 31 December 2020G, the Company operates 120 advertising sites (out of the total 6,106 advertising sites leased by the Company) under expired leases. These are all sites for roadside advertising and none are related to indoor advertising. The Company has continued to act in accordance with these leases under the same terms until the lessors complete the procedures for re-leasing them (see Table 12.18 "Existing Company Contracts for Outdoor Advertising Sites that have Expired and which the Company Continues to Operate Under as a Use Period as at 31 December 2020G" of Section 12.7 ("**Material Agreements**"). The rental amount due for the expired leases amounted to approximately SAR 1.0 million, representing 0.002% of the Company's total revenue of SAR 498 million, representing 0.003% of the cost of revenue of SAR 398 million in the period ended 31 December 2020G. Total revenue generated by the Company under the expired leases was approximately SAR 1.3 million, accounting for 0.003% of its total revenue in the period ended 31 December 2020G. The Company's utilisation of advertising sites whose leases have expired is not considered a violation of the contract terms as it is doing so after communicating with and obtaining the approval of the concerned lessors. The Company's inability to renew such leases would have an adverse effect on the Company' business, financial position, results of operations and prospects.

The Company leases the majority of its billboard sites through tenders that are offered to various companies operating in this sector. Therefore, the Company competes with other companies operating in the same sector for these tenders. Lessors evaluate the bids submitted by such companies based on the prices quoted thereby and their fulfilment of the tender conditions. If the Company is unable to win any tenders or enter into new leases in the future, the costs of advertising leases in the Kingdom of Saudi Arabia may increase significantly in the future. If the cost of advertising site leases increases in the future and the Company is not able to raise its prices to offset such cost and/or if the number of billboards the Company leases in the future decreases, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.2 Risks Related to the Company's Reliance on Contracts with Government and Quasi-governmental Entities

Agreements with government and quasi-governmental entities account for the majority of the Company's advertising site leases in terms of number of agreements and advertising revenue generated from those sites. As at 2018G, 2019G and 2020G, respectively, the Company had 88, 76 and 68 lease agreements with these entities (out of a total 90, 83 and 78 lease agreements with different parties for sites currently used by the Company as advertising sites). Revenue from these sites accounted for approximately SAR 620 million, SAR 758 million and SAR 472 million, constituting 97%, 97% and 95% of the Company's total revenue of SAR 639 million, SAR 787 million and SAR 498 million as at 2018G, 2019G and 2020G, respectively. The cost of these sites was approximately SAR 380 million, SAR 396 million and SAR 333 million, accounting for 85%, 88% and 84% of the total cost of revenue of SAR 449 million, SAR 451 million and SAR 399 million in the year ended 31 December 2018G, 2019G and 2020G. Under such agreements, the lessor has the right to use the advertising space of 30% of the number of billboards for a maximum of 5 weeks per year for social and awareness-raising purposes and for promotional campaigns, free of charge. For example, under the agreement for the supply and operation of digital advertising screens concluded with the Diplomatic Quarter General Authority (DQGA), the Company shall allow DQGA to use billboards valued at SAR 3 million annually free of charge and shall give DQGA 20% of the total number of billboards in the Diplomatic Quarter on a daily basis, for social marketing or awareness-raising purposes and promotional campaigns. Under a lease agreement with Riyadh Front Company Ltd., the Company shall allow said company to use 20% of the total number of billboards annually free of charge. Under a lease agreement with International Real Estate Investment Company Ltd., the Company shall grant said company marketing ads in the amount of SAR 2 million. In addition, under a lease agreement with Reyof Tabuk Park Company, the Company shall grant said company marketing ads in the amount of SAR 500,000 (for further information, see Section 12.7.2 ("**Contracts for Indoor Advertising Sites**"). The Company shall also obtain the necessary approvals from the competent authorities, including the General Department of Traffic and the General Directorate of Civil Defence, prior to installing the billboards and after signing the contract. (For further information, see Section 12.7 ("**Material Agreements**")).

If the Company becomes ineligible to bid on and win tenders due to its failure to meet the requirements and specifications of the governmental and quasi-governmental entities from which the Company leases its advertising sites, this would have a material adverse effect on the leases concluded by and between the Company and such entities or affect the Company's ability to participate in tenders that such entities may issue in the future. If such an event occurs, it would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.3 Risks Related to the Concentration of the Company's Business and Revenue in the Outdoor Advertising Sector

The Company's business is concentrated in the outdoor advertising sector. Revenues from this sector accounted for about 89%, 91%, and 92% of the Company's total revenue in 2018G, 2019G and 2020G, respectively (which were calculated after excluding printing revenue). Most of the Company's printing operations are connected with its business in the roadside advertising sector related to outdoor advertising. The Company uses its own presses to print all posters used in the Company's billboards. Printing revenues related to roadside advertising accounted for 9%, 7% and 6% of the Company's total revenue in 2018G, 2019G and 2020G, respectively (for further information, see Section 4.7 ("**The Company's Main Business Activities**"). If an event were to occur that adversely affected the Company's operations in the advertising sector, such as the Company's failure to renew the necessary official licenses, maintain its current advertising site leases and win new tenders for leasing additional advertising sites in the future or an event that negatively impacts the advertising sector as a whole, this would temporarily or permanently affect the Company's ability to continue its operations, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.4 Risks Related to Reliance on Major Clients

The Company's business in the outdoor advertising sector relies on its relationship with its major clients in this sector, including media buyers, advertising agencies, major companies and governmental and quasi-governmental entities that run their own advertising campaigns. The Company's top ten clients in the outdoor advertising segment accounted for SAR 362 million, SAR 399 million and SAR 290 million (57%, 52% and 62%) of the total outdoor advertising revenue of SAR 620 million, SAR 758 million and SAR 472 million in 2018G, 2019G and 2020G, respectively. The Company's top ten clients in the indoor advertising segment also contributed approximately SAR 7.4 million and SAR 8.9 million (73% and 76%) of the total revenue of the indoor advertising segment of SAR 10.1 million and SAR 11.8 million in 2019G and 2020G, respectively (for further information, see Section 4.7.2 ("**Company Clients**")). Notably, the Company started operating in the indoor advertising sector in April 2019G. The Company does not have long-term agreements with any of its clients. Instead, the Company works with clients based on purchase orders for Company billboards to be used in the client's advertising campaigns. If the Company fails to maintain its relationships with its major clients in the advertising sector or diversify its client base to reduce its reliance on its current major clients, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.5 Risks Related to the Quality of Services and Products Provided and Positive Reputation

If the Company is unable to maintain the quality of the services and products it provides to its clients, including efficient implementation of advertising campaigns, the viability and cleanliness of its billboards, the visibility of the advertisements on such billboards, the quality of the various printing activities performed by the Company's presses and their compliance with client specifications (see Section 4.7 ("**Main Business Activities**")), such would affect its reputation in the market and among its clients, and lead to a reluctance among clients to do business with the Company. It could also lead to the Company's loss of its competitive advantages, inability to attract new clients and loss of existing clients, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's reputation might also deteriorate significantly due to several factors such as falling into disputes with clients, IT security breaches, deficiencies in internal control or penalisation of the Company as a result of its non-compliance with applicable laws. The Company's reputation could also be damaged by actions or statements of current or former clients, employees, competitors, suppliers, legal adversaries, government regulatory authorities and members of the investment community or media. Negative information about the Company, even if based on rumours or misunderstandings, could have an adverse effect on its business. Damage to the Company's reputation might be severe and costly and require time to rectify, which may in turn affect potential or existing clients' choices and lead to a reluctance to choose the Company for new contracts. This could lead to the loss of clients and have an adverse effect on the Company's business. Damage to the

Company's reputation might also harm the Company's image and reduce investor confidence therein, which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.6 Risks Related to Protecting Intellectual Property Rights

As at the date of this Prospectus, the Company owns four business-related trademarks registered with the Ministry of Commerce. The Company considers these trademarks among the factors that support its business. The Company's competitive position relies on several factors including the ability to use its trademarks to provide its services in the sectors in which it operates and protect such trademarks against infringement and illegal use (see Section 12.11 ("**Intellectual Property**")). The unauthorised use of trademarks and other violations of the Company's intellectual property rights may be difficult to control. If the Company fails to successfully protect its intellectual property rights, or if any other parties steal, breach or violate the Company's intellectual property, the value of the Company's trademark may be damaged. Any damage to the Company's reputation could cause revenue to decrease or make it more difficult to attract new clients, which would adversely affect its business, financial position, results of operations and prospects.

From time to time, the Company may have to file a lawsuit to recover rights related to its trademarks and other intellectual property rights. Other parties may allege that the Company is in violation of their intellectual property rights, which may lead to a lawsuit being filed against the Company. The outcome of litigation may not be in favour of the Company, and legal proceedings can distract the attention of the Company's Management, resulting in significant costs and dispersion of resources. This could have an adverse effect on the Company's revenue and profits, regardless of whether the Company is able to successfully maintain or defend intellectual property rights. Moreover, such disputes may result in the Company obtaining licensing agreements to use the disputed intellectual property, which may not be available at all or available under commercially unfavourable terms to the Company. This would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.7 Risks Related to Damage or Destruction of Company Billboards

Most of the Company's billboards and advertising structures are located in open places near streets and roads. Therefore, they are vulnerable to damage from sandstorms, thunderstorms, and other severe climate conditions during certain periods of the year. They are also vulnerable to damage as a result of traffic accidents and vehicle collisions (for further information, see Section 4.7.2 ("**The Company's Roadside Advertising Business**"). If a large number of the Company's billboards or advertising structures are damaged as a result of any of the aforementioned incidents, this would lead to the Company's loss of a large portion of its assets and a resulting decrease in revenue. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.8 Risks Related to the Company's Reliance on Proper Maintenance of its Assets

The Company's success depends on its ability to maintain and keep all its assets intact, in particular its advertising billboards and structures, electronic components of digital billboards and equipment and machinery used in its presses. Maintenance costs for these assets amounted to SAR 7.7 million, SAR 6.9 million and SAR 4.6 million in 2018G, 2019G and 2020G, respectively. The Company's failure to maintain these assets would lead to a deterioration in the condition and efficiency of these assets and reduce the quality of the Company's services and products, including a large portion of the Company's billboards becoming non-operational and/or a decline in the quality of the Company's various printing activities and failure to comply with client specifications (see Section 4.7 ("**The Company's Main Activities**")). This could lead to a reluctance among clients to do business with the Company, which would in turn lead to a decrease in Company revenue, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.9 Risks Related to Transactions and Contracts with Related Parties.

The Company has entered into eight contracts with Related Parties, which are SignWorld, Al Miza Outdoor Advertising Company, House of Skill Real Estate Company and Abdelellah Abdulrahman Alkhereiji. As at the date of this Prospectus, 6 of the Company's 27 lease agreements are with Related Parties (for more information about lease agreements with Related Parties, see Section 12.9.3 ("**Lease Agreements with Related Parties**")). The Company has also concluded two cooperation agreements with Related Parties (see Section 12.9 ("**Material Contracts with Related Parties**")).

The total value of the contracts concluded with these parties amounted to SAR 71,916,194, SAR 61,651,620 and SAR 15,347,019 accounting for 16%, 14% and 4% of the Company's total costs (including revenue costs, general and administrative expenses and advertising and marketing expenses for the same fiscal year and fiscal period) in the fiscal years ended 31 December 2018G, 2019G and 2020G, respectively.

There are 26 transactions that are not governed by official contracts between the Company and Related Parties; the House of Skill Trading and Contracting Company, High-End Hotels Company, Engineer Holding Group Company, Saudi Media Company, Advanced Digital Systems Company, MBC Group Holdings Ltd., Al Arabia Out of Home Advertising Company, Al-Zad Forum Travel Company, and High-End Restaurants Company. These transactions include the distribution of shareholder dividends through Related Parties, expenses paid by the Company on behalf of Related Parties, such as salaries, insurance and other salary-related costs, and expenses related to the purchase of billboards or the execution of works. These include expenses for manufacturing and importing billboards, drilling costs and the installation of such billboards by Related Parties together with sales and collections. The total value of transactions not governed by official contracts was SAR 225,079,240, SAR 128,107,692 and SAR 41,568,274, for the years 2018G, 2019G and 2020G, respectively. All amounts pertaining to these transactions have been settled (please see Section 12.9 ("**Material Contracts with Related Parties**") for more information). The total value of transactions with Related Parties (which includes transactions with Related Parties that are governed by formal contracts and transactions with Related Parties that are not governed by formal contracts) for the year 2018G, 2019G and 2020G, amounted to SAR 377,087,083, SAR 180,185,787.5, and SAR 56,915,293 respectively. They constitute 59%, 23% and 11% of the Company's total revenues for 2018G, 2019G and 2020G, respectively. The Company does not analyse the ages of accounts receivable and accounts payable with Related Parties, which may affect the Company's collection of these receivables. Consequently, this would have an adverse and material effect on its business, results of operations, financial position, and prospects.

The Company's conclusion of any transactions with Related Parties is subject to the relevant Saudi laws and regulations. The Company and the Related Parties had previously agreed to conclude a number of contractual conditions that are not on an arm's length basis and without concluding formal contracts for these transactions or obtaining the approval of the General Assembly. The Company allowed its shareholders to use the Company's unoccupied advertising space for advertisements related to their business without concluding formal contracts and not on an arm's length basis. This applied to five companies: High-End Hotels Company, Al-Zad Forum Travel Company, Saudi Media Company, SignWorld and High-End Restaurants Company. The Company has also previously paid expenses on behalf of Related Parties, financed Related Parties. The Company identifies all such amounts and deducts them from the shareholders' dividends prior to distribution (for further information, see Section 12.9 ("**Material Contracts with Related Parties**").

Total financing for Related Parties was SAR 289 million and SAR 111 million for the years 2018G and 2019G, respectively. No financing transactions took place between the Company and Related Parties in 2020G. The total charge to Related Parties' accounts for dividends amounted to SAR 59 million, SAR 46 million and SAR 24 million for the years 2018G, 2019G and 2020G, respectively. The total amount paid on behalf of Related Parties for expenses was SAR 29 million, SAR 23 million and SAR 1 million for the years 2018G, 2019G and 2020G, respectively. The amount paid on behalf of Related Parties for capital expenditures was nil, nil and SAR 15 million for the years 2018G, 2019G and 2020G, respectively. Total sales and collections were nil, nil and SAR 4 million for the years 2018G, 2019G and 2020G, respectively. For more details on the above amounts, please refer to Table 6.41 in Section 6 ("**Financial Information and Management's Discussion and Analysis**").

As at the date of this Prospectus, all Company dealings with current Related Parties have been carried out on a strictly commercial basis. If the Company enters into contracts with any Related Party on a non-commercial basis and/or if such transactions entail transfer of undue benefits to the Company's Related Parties, this may negatively affect the Company's costs and revenue, which in turn would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

If contracts with Related Parties are not renewed in the future at the end of their terms, if the Company's Board of Directors or General Assembly does not agree to renew such contracts or if the Related Parties do not agree to renew them in accordance with the current terms or under terms favourable to the Company, the Company will not be able conclude alternative lease agreements on the same terms or conditions acceptable to the Company, and if the Company continues not to analyse the useful lives of Related Party receivables, this would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.10 Risks Related to the Availability and Price Fluctuation of Raw Materials and Spare Parts

The Company's revenues and profits are based on the prevailing prices of the raw materials used by the Company in its operations, which mainly include ink, paper, flex face material and banners for the printing sector (for further information, see Section 5.5.7 ("**Print Shop Department**"). The Company imports these materials from foreign and local suppliers. There are no supply contracts for these materials, and purchases are made through purchase orders or documentary letters of credit. Imported raw materials accounted for 70%, 58% and 31% for 2018G, 2019G and 2020G, respectively. Local materials accounted for 30%, 42% and 69% for 2018G, 2019G and 2020G, respectively (for further information, see Section 4.7.5 ("**Company Suppliers**"). The cost of raw materials accounted for approximately 4%, 3% and 3% of the total operating costs of the Company in 2018G, 2019G and 2020G, respectively. The prices of these raw materials depend on global markets, which are subject to rapid and wide fluctuations. Changes in the prices of raw materials in the international markets are affected by a number of factors beyond the Company's control, such as supply and demand factors, market concerns, speculation by market dealers and international economic and political factors.

In the event that the prices of raw materials significantly increase, the Company cannot pass on the entire increase to clients, which would lead to higher operational costs and lower profits for the Company, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company does not enter into long-term purchase agreements with its suppliers. Consequently, if there is any interruption or delay in the supply of raw materials, the Company will need to secure such materials from alternative sources. However, the Company may not be able to find a suitable alternative supplier with the capacity or willingness to provide raw materials at the required quantities for a reasonable price. Any delay in finding a suitable alternative supplier would lead to an interruption in the Company's operations, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.11 Risks Related to the Realisation of Expansion Plans

The Company's ability to increase its revenue and improve its profitability depends on the effective implementation of its business plans and the successful implementation of its strategy, including, but not limited to, improving the current areas in which the Company operates or entering into new areas. The Company's ability to expand its business in the future depends on its ability to continue to implement and improve the operational, financial and administrative information systems in an efficient and timely manner, as well as its ability to expand, train, motivate and maintain its workforce. In addition, any business expansion plans that the Company intends to undertake in the future will be subject to their estimated costs and implementation schedule and the estimated costs of the project. In the event that the desired profitability of these projects is not achieved due to various reasons at the time of project implementation, including flaws in the feasibility study, this would adversely affect the Company's competitive position, and consequently its results of operations and profitability.

The Company's ability to implement its current strategy is subject to different factors, and any flaws, failures or sudden interruptions in the expansion process may occur. The Company cannot be certain that the employees appointed by the Company and its Subsidiary and its systems, procedures and controls will be sufficient to support growth and future expansion and successfully achieve its strategy. If the Company fails to implement any part of its strategy for any reason, this would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.12 Risks Related to Potential Zakat Assessments

The Company has submitted Zakat returns and obtained Zakat certificates from the Zakat, Tax and Customs Authority for all the years up to 2020G and it has paid the Zakat amounts due by the specified date. The Company has obtained the final Zakat returns up to 2016G, and therefore there is a risk that the Zakat, Tax and Customs Authority may object to the returns submitted by the Company for 2017G, 2018G, 2019G and 2020G, which are under review, and request the Company to pay additional Zakat amounts. The Selling Shareholders will incur, on a pro rata basis, any additional liabilities that may arise from the Zakat, Tax and Customs Authority for the previous years until the Company is listed on the Saudi Exchange. The Company made a Zakat provision of about SAR 9.2 million, SAR 8.8 million and SAR 6.9 million as of 31 December 2018G, 2019G and 2020G, respectively. As of the date of this Prospectus, the Company has not obtained the final assessments for the years 2017G, 2018G and 2019G. The final amount of the Company's potential Zakat liabilities for these years remains uncertain. Any additional liabilities imposed on the Company by the Zakat, Tax and Customs Authority would have an adverse and material effect on its business, financial position, results of operations, and prospects. Note that the Company received a final assessment notice from the Zakat, Tax and Customs Authority regarding the VAT returns filed for the year 2018G (the assessment was on zero-rated supplies provided to clients abroad). The Zakat, Tax and Customs Authority also imposed fines of SAR 3.4 million on the Company for providing inaccurate information and delaying the payment of VAT for the year 2018G. The Company paid the amount in full in 2019G. Therefore, it objected to these fines, and the Zakat, Tax and Customs Authority approved a final settlement and issued a credit note (a document stating the Company's entitlement to such amount) to the Company in the amount of SAR 1.4 million in 2021G. The Company also received a final Zakat assessment for FY 2018G with total Zakat differences of (SAR 3.5 million). It objected to these Zakat differences, but the Zakat, Tax and Customs Authority issued a notice dismissing the objection on 28 January 2021G. The objection related to the Zakat assessment made by the Authority was then filed with the General Secretariat of Tax Committees under No. 37401- 2021 dated 14 February 2021G. Note that the existing Zakat provision does not cover this additional Zakat difference. If the objection is not accepted by the General Secretariat of Tax Committees, the Company will then make an additional Zakat provision to cover the value thereof.

(For more information, please see Section 12.14 ("**Zakat and Tax Status of the Company**")).

2.1.13 Risks Related to Credit

Credit risk pertains to trade receivables arising from the failure of the Company's clients to meet their obligations towards the Company. The Company has accounts receivable (not secured under formal agreements) exceeding the credit period. Accounts receivable with 180 days past due constitute approximately 25%, 14% and 13% of the total accounts receivable amounting to SAR 72.5 million, SAR 49.7 million and SAR 44.6 million for 2018G, 2019G and 2020G, respectively. The accounts receivable of the Company's top ten clients accounted for 49%, 44% and 66% of the Company's total accounts receivable as at 31 December 2018G, 2019G and 2020G, respectively (for further information, see Section 6.7.2 ("**Statement of Financial Position**"). With regard to the application of the lower receivables model standard (ECL), as required by IRFS, the Company did not apply this standard in 2018G and 2019G. The Company started applying it in 2020G, but the effects of the coronavirus pandemic and the consequent total closure for about three months have negatively affected the level of collection. Thus, it has only been applied in full from the beginning of July 2020G. As at 31 December 2020G, balances that exceed 180 days past due include government balances such as from Riyadh Municipality and the General Authority of Sports. In addition, there are some delays from media buyers who have dealings with government agencies, such as Marwan Advertising Agency.

The number of collection days increased due to late payment by some clients and, most significantly, dealing with government agencies, which usually require a longer period for payment, sometimes up to two years. Transactions with government agencies included Al Janadriyah Festival sales in the fourth quarter of 2018G, Riyadh Season sales in the fourth quarter of 2019G and 2020 G20 Riyadh Summit sales in the fourth quarter of 2020G.

In the event that any or all of these clients fail to pay their accounts receivable to the Company, this could materially and adversely affect the Company's cash flows, which in turn would have a material adverse effect on its business, financial position, results of operations and prospects.

A number of the Company's clients may deal with poor financial performance, and the Company may also fail to adequately analyse the credit risk for these parties. Accordingly, the Company's inability to collect any of the financial amounts owed by any of its clients would have a material adverse effect on its business, prospects, financial position and results of operations.

2.1.14 Risks Related to Keeping Pace with Developments in the Advertising Sector

The Company's ability to maintain its market share and attract new clients largely depends on keeping pace with developments related to its business activities, particularly developments in the form and type of technologies used in digital and non-digital advertising billboards, and the methods and styles for printing and displaying advertising posters. Therefore, the Company's failure to keep pace with developments related to its business activities would adversely affect the Company's competitive advantage and could reduce its market share or lead to an inability to attract new clients. This would have a material adverse effect on the Company's business, prospects, financial position and results of operations.

2.1.15 Risks Related to Adequacy of Insurance Coverage

As at 30 June 2020G, the Company has not procured any insurance for its 6,533, 6,385, and 4,942 billboards and advertising structures as at 31 December 2018G, 2019G and 2020G, respectively (with the exception of 130, 230 and 324 digital billboards for the years ended 31 December 2018G, 2019G and 2020G, respectively, due to their large size and high value because they are operated by a digital technology system). The net book value of all advertising billboards and structures insured and owned by the Company was SAR 97 million, accounting for about 63% of the Company's net assets of SAR 155 million as at 31 December 2020G. The Company's revenues from uninsured billboards accounted for about 58%, 58% and 43% of the Company's total revenue in 2018G, 2019G and 2020G, respectively. The Company also has medical, vehicle and fire insurance (for further information, see Section 12.15 ("**Insurance Policies**")).

If the insurance policies obtained by the Company are not sufficient at all times and in all circumstances, or if the insurance coverage is not sufficient in all cases or covers all risks the Company may be subject to, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects. For example, there may be future events for which the insurance coverage is not sufficient, or that cannot be insured or may not be covered under any of the Company's insurance policies. The Company might not be able to successfully substantiate its claims with regard to any damages covered under any of the insurance policies even if such claim is properly submitted. The occurrence of any of the foregoing risks could materially and adversely affect the Company's business, financial position, results of operations and prospects.

In addition, the Company might not be capable of procuring insurance against risks which it deems necessary or proper to insure against or might not be capable of obtaining adequate insurance coverage relating to such risks in the future.

In the event of an accident for which the Company does not have adequate or proper insurance, or if one or more considerable claims cannot be substantiated under any of the present insurance policies, or if changes are made to present insurance policies upon their renewal (such as higher insurance premiums, imposition or increase of insurance deductibles paid by the insured, or special requirements imposed by insurers), such would have a material adverse effect on the Company's business, financial position and results of operations.

The Company's current insurance policies contain some exclusions and limitations, and they do not provide complete coverage against all potential risks. If the Company is subject to such exclusions, limitations or liabilities for which it is not adequately insured against or at all, this would lead to higher costs and thus have a material adverse effect on the Company's business, financial position and results of operations.

2.1.16 Risks Related to Financing

The Company has entered into six short-term banking facility agreements with six local banks (considering Alawwal Bank and SABB as one), namely the Saudi Investment Bank, Banque Saudi Fransi, Arab National Bank, Saudi British Bank (SABB), Bank Albilad and Riyad Bank, to finance its working capital requirements and contractual activities. This includes financing leases concluded with secretariats and municipalities through short-term loans, providing the pertinent guarantees and issuing documentary letters of credit. The Company's liabilities to assets ratio was about 60% as at 31 December 2020G, while the ratio of current liabilities to current assets (the current ratio) was 99% as at 31 December 2020G. The total facilities provided under the bank facility agreement with the Saudi British Bank were worth SAR 280 million, of which around SAR 60.4 million were used by the Company under such agreement as at the date of this Prospectus. The total facilities provided under the bank facility agreement concluded with Banque Saudi Fransi were worth SAR 160 million, of which SAR 455 thousand were used by the Company under such agreement. The total facilities provided under the bank facility agreement concluded with the Arab National Bank were worth SAR 70 million, of which SAR 55 million were used by the Company under such agreement. The total facilities provided under the bank facility agreement concluded with the Saudi Investment Bank were worth SAR 100 million, of which SAR 30 million were used by the Company under such agreement. The total facilities provided under the bank facility agreement with Bank Albilad were worth SAR 195 million, of which SAR 128.1 million were used by Company under such agreement. The total facilities provided under the bank facilities agreement concluded with Riyad Bank were worth SAR 60 million, of which SAR 53.9 million were used by the Company under this agreement as at the date of this Prospectus.

Each facility agreement includes specific general and financial commitments, terms and obligations that the Company must abide by. They also grant the relevant bank the right to accelerate the payment of amounts due, amend the terms or conditions of the facilities or take any other actions to preserve the rights of the relevant bank (including cashing any guarantees or loans provided by the Company or cancelling these facilities). In the past, the Company did not deposit 25% of sales annually as agreed with Saudi Investment Bank (SAIB), and deposited only 15.6%. On the other hand, the Company also did not maintain leverage below 1.2, with leverage of 1.5 as of 31 December 2020G. The Company did not deposit 30% of the annual revenues as agreed with Al Bilad Bank, and deposited 20%. On the other hand, the Company did not maintain leverage below 1.1, with leverage of 1.5 as in December 2020G. The Company also failed to deposit 10% of its annual revenues with Arab National Bank (ANB), depositing 3%. The Company also did not maintain leverage below 1.1 as at December 2020G (for further information, please see Section 12.8 ("**Credit Facilities**")). In the event that any of these liabilities are not fulfilled, the banks will have the right to take the necessary measures to preserve their rights, such as declaring all the Company's liabilities due and payable immediately.

If any of these banks declares the Company to be in breach of a facility agreement and decides to exercise its rights, there is no guarantee that the Company will be able to obtain an adequate financing alternative to repay these debts, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Several sister companies and the subsidiary of Al-Arabia also benefited from the facilities granted to the Company in the past, which affected the Company's liquidity and reduced the use of the facility balances available to the Company for its main activities. If this happens in the future, it will put more pressure on the Company. If the Company fails to find alternatives to increase the facilities available to it, this will have an adverse and material effect on its business and financial position.

Since all bank loans secured are short-term loans, the Company may need additional financing if it decides to expand its operations in the future. If the Company fails to secure such financing in the future or if such financing is available but under unfavourable terms, this would lead to the Company's inability to expand its operations. In addition, if the Company has access to and fully utilises additional financing it may not be able to repay its debts when due. Any such event, were it to occur, would have a material adverse effect on the Company's business, financial position, results of operations and prospects, since all loans are short-term loans.

2.1.17 Risks Related to Bank Guarantees Provided on the Company's Behalf by Two Shareholders

The Company's obligations under the bank facility agreements are secured by personal guarantees provided by (direct and indirect) shareholders Abdelellah Abdulrahman Alkhereiji (a Selling Shareholder, a shareholder in Engineer Holding Group Company and Chairman of the Company Board) and Muhammad Abdelellah Alkhereiji (a current shareholder in Engineer Holding Group Company and the Company's CEO). A personal guarantee of SAR 204,000,000 has been provided by Abdelellah Abdulrahman Alkhereiji. A personal guarantee and a promissory note of SAR 310,000,000 have been provided by Abdelellah Abdulrahman Alkhereiji in connection with the facility agreement with SABB (Saudi British Bank). A personal guarantee and a promissory note of SAR 100,000,000 have been provided by Abdelellah Abdulrahman Alkhereiji and Muhammad Abdelellah Alkhereiji, in addition to joint and several irrevocable continuing performance bonds/guarantees provided and duly signed by both of them in relation to the facilities agreement with Saudi Investment Bank. A joint performance bond/guarantee and a promissory note have been provided by Abdelellah Abdulrahman Alkhereiji and Muhammad Abdelellah Alkhereiji in connection with the SAR 70,000,000 facility agreement with Arab National Bank (ANB). A joint performance bond/guarantee has been provided by Abdelellah Abdul Rahman Alkhereiji and Muhammad Abdelellah Alkhereiji for total facilities of SAR 195,000,000 related to Al Bilad Bank. A promissory note of SAR 200,980,000 has been provided by Abdelellah Abdulrahman Alkhereijii and Muhammad Abdelellah Alkhereiji in connection with the facility agreement with Al Bilad Bank. A joint and several guarantee of SAR 160,000,000 to cover the total amount of the facilities/financing related to Banque Saudi Fransi (BSF) has been provided by Abdelellah bin Abdulrahman bin Saleh Alkhereiji and Muhammad bin Abdelellah bin Abdulrahman Alkhereiji. A joint performance bond/guarantee has been provided by Abdelellah Abdul Rahman Alkhereiji and Muhammad Abdelellah Alkhereiji for the total facilities of SAR 60,000,000 related to Riyad Bank. Such personal guarantees represent the signature of promissory notes (for further information, see Section 12.8 ("**Credit Facilities**")). The bank facility agreements state cases which constitute the Company's breach of its obligations under those agreements, including situations related to these two shareholders and their continued agreement to provide these guarantees, concealment of information that the bank deems important and crucial, the guarantors' approval being found to be incorrect or inaccurate, seizure of a guarantor's assets and money or the adoption of any precautionary procedure with regard thereto, or insolvency of the guarantors. This includes a situation where these guarantees cease to be effective or become worthless or where there is a change in the guarantors' financial position. The Company intends to approach banks to cancel the personal guarantees and replace them with guarantees to be provided by the Company. As at the date of this Prospectus, none of the banks have waived the personal guarantees provided by these two shareholders.

If, after the Offering, the Company is unable to cancel the guarantees provided by these two shareholders, then they will remain in force and the breaches related to the shareholders will continue to apply. In the event that one or both of the shareholders withdraws the guarantees provided or fails to renew them, or if these guarantees become ineffective for any reason and the banks do not agree to allow the Company to provide alternative guarantees (such as mortgaging assets or other guarantees banks typically accept from listed joint-stock companies in lieu of the founding shareholders' guarantees), this will constitute the Company's breach of its obligations under the relevant bank facility agreements. Accordingly, the banks will be entitled to request that the Company immediately repay the entire balance of the relevant facilities. In such case, the Company may be unable to obtain adequate alternative sources of financing to repay the debt. Any of these factors would have an adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.18 Risks Related to Higher Rental Costs for Advertising Sites as a ratio to Total Operating Revenue Costs

The Company's operating revenue costs for 2018G, 2019G and 2020G amounted to approximately SAR 449 million, SAR 451 million and SAR 399 million respectively, representing 70%, 57% and 80% respectively of the total revenue in these same periods. The lease costs under the Company's operating leases for advertising sites concluded with secretariats, municipalities and other entities in the same period accounted for 85%, 82% and 85%, respectively, of the operating revenue costs, representing 59%, 47% and 68% of the total revenue, respectively (for further information, see Section 12.7.1 ("**Contracts for Outdoor Advertising Sites**") and Section 12.7.2 ("**Contracts for Indoor Advertising Sites**"). The Company's potential liabilities related to these contracts and distributed over the next five years as at 31 December 2020G were SAR 995 million, SAR 493 million and SAR 532 million as at 31 December 2018G, 2019G and 2020G, respectively. Since the leasing costs for advertising sites do not change over the contract terms, any decrease in revenue during such periods or any increase in cost of revenue would have an adverse effect on the Company's net profits, which would adversely and materially affect its business, financial position, results of operations and prospects.

2.1.19 Risks Related to Regulatory Licenses and Permits

The Company is required to obtain and maintain the necessary regulatory licenses, permits and approvals in relation to its activities. These licenses include, but are not limited to, media licenses, industrial licenses, foreign investment licenses, registration certificates for the Company and its subsidiaries issued by the Ministry of Commerce, media licenses issued by the Ministry of Media, and Saudization, social insurance and Zakat certificates. These licenses and permits have validity periods and expiration dates and are renewed periodically (see Section 12.5 ("**Material Licenses and Approvals**")).

Most of the Company's licenses are subject to conditions under which the relevant licenses may be suspended or withdrawn (terminated) if the Company is unable to fulfil and observe such conditions. Moreover, the relevant authority issuing the license may not renew the license at the end of its term, or that, should the relevant authority agree to renew it, it will not impose additional conditions that are unfavourable to the Company or cause the Company to incur additional expenses to comply with those conditions.

If the Company fails to renew any of its licenses or obtain any of the licenses necessary for its business, if any of its licenses are suspended or terminated, if any of its licenses are renewed under unfavourable conditions or if the Company is unable to obtain any licenses that it may need to obtain in the future, the Company will have to suspend its business related to the licenses in question, which would result in the suspension of the Company's operations (fully or partially) and incursion of additional costs. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.20 Risks Related to Reliance on Key Personnel, Job Performance and the Ability to Recruit Qualified Persons

The Company's success depends on the continued service and performance of Senior Management and other key personnel, as well as its ability to identify, recruit, develop, motivate and retain qualified personnel in the future. In particular, the Company relies on a number of key employees with extensive experience in the advertising sector who have made significant contributions to the development of the Company's business and sales. The Company may not be able to retain its employees or attract new qualified employees. Moreover, some of the Company's relationships with a number of key clients may depend on the continued performance and efficiency of Senior Management and/or other key personnel. The multi-year experience of these employees with such customers enables them to identify the customers' exact needs and provide a distinctive service that meets their requirements and directly contributes to the growth of the Company's business. Loss of these employees may harm the Company's relationships with such clients.

The Company may need to invest significant financial and human resources to attract and retain new employees. The loss of members of the Company's Senior Management or key personnel could hinder or delay the implementation and achievement of its strategic objectives, divert management's attention to seeking certain qualified replacements or adversely affect its ability to manage its business effectively. In addition, a member of Senior Management or a key employee may resign at any time. If the Company is unable to hire and retain senior executives and personnel who are highly skilled in the appropriate domains, this would adversely affect its business, financial position, results of operations and prospects.

2.1.21 Risks Related to Employee Mistakes or Misconduct

The Company may not be able to prevent its employees from engaging in misconduct, such as fraud, intentional errors, misappropriation, deceit, theft, forgery, misuse of information or systems, disclosure of confidential information, spreading misleading information, failure to comply with internal regulations, or misuse of property and acting on the Company's behalf without obtaining the required administrative authorisations. Accordingly, such acts may result in the Company incurring consequences and liabilities, regulatory sanctions or financial liability, which would adversely affect the Company's reputation. Therefore, its employees' misconduct or mistakes would have a material adverse effect on its financial position, results of operations and prospects.

2.1.22 Risks Related to the Composition of the Board of Directors

The Company's current Board of Directors consists of six (6) members, three (3) of whom belong to one family (Alkhereiji family) (for further information, see Section 5.2 ("**Board of Directors**"). Muhammad Abdelellah Alkhereiji also holds an executive position in the Company. Any change in the Company's Board of Directors or the exit of any of its current Directors for any reason whatsoever and the Company's inability to replace them with directors who have the same competence and experience will have a material adverse effect on its business. Furthermore, the fact that half of the Directors are from the same family may affect the effectiveness of the Board's procedures and its discussion of important issues. The likelihood of these Directors favouring a certain opinion is greater, which may affect the conduct of the Board's work. This could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.23 Risks Related to Possessing Confidential Information on the Company's Clients, Employees and Business

The Company obtains confidential information related to its clients while doing business with them, such as information related to new products, discounts and offers that have not been disclosed and the budget for companies that may be competing with each other. It also keeps personal information related to employees and data and information on the company's performance. The Company may face lawsuits from its clients as a result of its failure to keep this information confidential. The Company's reputation and its current and future performance would be materially and adversely affected if it fails to maintain the confidentiality of such information and data.

2.1.24 Risks Related to Saudization and the Labour Law Requirements

Compliance with Saudization requirements is mandatory under Saudi law, which requires that all companies active in Saudi Arabia, including the Company, employ and maintain a certain ratio of Saudi personnel among their staff. The Saudization ratio varies based on a company's activities.

The percentage of Saudi employees in the Company was about 21.9% as at 31 December 2020G (for further information, see Section 4.14.1 ("**Number of Employees**"). Under the Nitaqat program, the Company is subject to Saudization requirements that determine the percentage of Saudi citizens in its workforce compared to the average rate of Saudization in companies operating in the same sector. According to the Nitaqat program issued by the Ministry of Human Resources and Social Development (MHRSD), the Company has been classified among the medium-sized companies in the construction sector based on the fact that some of the Company's activities involve constructing billboard sites and the installation and maintenance thereof.

The Company was classified in the High Green category due to the current percentage of Saudi citizens working for the Company. The Company achieved a Saudization rate of about 21.9% compared to the required rate of 12% (according to the number of employees as at 31 December 2020G), but it may be difficult for the Company to maintain and retain the same percentage of Saudi citizens in the future. If Saudization requirements are not met, the Company will face penalties imposed by government agencies, such as suspending applications for work visas and transfer of sponsorship for non-Saudi workers. In addition, the Company may not be able to provide the required manpower or employ the required number of Saudi and foreign workers without incurring additional costs, or at all. This would have a material adverse effect on the Company's business and results of operations, financial position and prospects.

Since the Company's activities include outdoor advertising and printing, MHRSD may reclassify the Company as a company operating in printing, publishing and media, which under the Nitaqat program has a minimum Saudization percentage of 8% for the Company to fall under the Green category. If it does not attain this percentage, the Company will be classified in the Red category, which would expose it to some or all of the penalties mentioned above.

As the majority of the Company's employees are non-Saudis, any change in residency-related laws may result in higher costs related to employing expatriate employees or issuing or renewing their residency permits. This would have a material adverse effect on the Company's business, financial position and results of operations.

The Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia has launched an initiative to improve the contractual relationship. The initiative involves several policies and controls including the approval of the Law Governing Employment Contracts between Employers and Expatriate Workers and Cancellation of the Sponsorship System. The initiative also includes granting expatriates the freedom to change jobs and leave the Kingdom without the employer's consent. This initiative will enter into force as of 14 March 2021G.

The Company also faces challenges retaining its Saudi employees. Consequently, the Company is subject to risks of being classified in the Red category. In the event that any or all of the aforementioned incidents occur, this would have a material adverse effect on the Company's business, prospects, financial position and results of operations.

Pursuant to the Saudi Labour Law, all companies are obligated to develop an internal work policy consistent with the provisions of the Labour Law. The Company's previous internal work policy did not comply with some provisions of the Labour Law, including Article 53 thereof, which stipulates that if a worker is subject to a probationary period, such probationary period shall be clearly determined and may not be more than 90 days. The probationary period may be extended, provided that it does not exceed one hundred eighty (180) days. The previous internal labour policy stipulated that the probationary period must not exceed six months. The Company has amended its internal labour policy to comply with the provisions of the Labour Law. On 21/06/1441H (corresponding to 15 February 2020G), the Ministry of Human Resources and Social Development approved the Company's internal labour policy.

2.1.25 Risks Related to Litigation

The Company, Directors and/or Senior Executives may be subject to lawsuits lodged by the parties it deals with, including clients, lessors, suppliers, employees or regulatory bodies (such as secretariats and municipalities). Furthermore, other entities may file malicious groundless lawsuits to disrupt the Company's business and distract Management. The Company may also be a plaintiff in proceedings and lawsuits (for further information, see Section 12.13 ("**Litigation**").

The Company cannot determine the outcome of any future lawsuit that may be lodged by any of the parties it deals with or by third parties. Moreover, the Company cannot determine the litigation costs it may incur for such lawsuits or fines that may be imposed on it by the relevant regulatory authorities. The Company's exposure to lawsuits or heavy fines might have a material adverse effect on the Company's results and financial positions, and malicious lawsuits might distract the Company's attention from its main business and affect its reputation to the detriment of its interests. This would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

The Company signed an exclusive concession contract (Contract No. 001/C/32 dated 23/01/1432H) with Jeddah Governorate Municipality to invest in Megacom advertising billboard sites. This contract expired on 22/01/1442H. Jeddah Governorate Municipality issued Letter No. 4100079395 dated 01/04/1441H, extending the expiration period of the contract for seven (7) months and twenty-seven (27) days. Jeddah Governorate Municipality then issued Letter No. 4000217352 dated 13/01/1442H, in which it retracted its approval to extend the contract, confirming the date of 22/01/1442H as the date the contract term expires. The Company, in its capacity as plaintiff, filed Lawsuit No. 2632 of 1442H with the Jeddah Sixteenth Administrative Circuit against the Jeddah Governorate Municipality, in its capacity as defendant, requesting that Jeddah Governorate Municipality abide by its Letter No. 4100079395 dated 01/04/1441H, which extended the term of the contract for seven (7) months and twenty-seven (27) days, or to oblige the Jeddah Governorate Municipality to pay seventy-five million, eight hundred ninety-one thousand, three hundred twenty-eight Saudi Riyals (SAR 75,891,328) to the Company to recover the lease amounts were paid to Jeddah Governorate Municipality for sites that were not handed over to the Company. Moreover, the Company requested the Circuit to order Jeddah Governorate Municipality to pay eighty million, seven hundred thirty-five thousand Saudi Riyals (SAR 80,735,000) to the Company for the financial losses incurred thereby when Jeddah Governorate Municipality removed the billboards. The Company also requested the Circuit to order Jeddah Governorate Municipality to pay attorney fees of one million Saudi Riyals (SAR 1,000,000) incurred by the Company to file this lawsuit. A first instance judgement was issued by the Sixteenth Administrative Circuit on 29/08/1442H, obliging Jeddah Governorate Municipality to extend Contract No. 001/C/32 dated 23/01/1432H for seven (7) months and twenty-seven (27) days and pay attorneys' fees of one million Saudi Riyals (SAR 1,000,000). The Circuit ordered the Company to pay four million, four hundred seventy-six thousand, one hundred fifty-four Saudi Riyals (SAR 4,476,154) for rent for the tenth year of the Contract that is the subject of the lawsuit. This was based on the request of Jeddah Governorate Municipality during the hearing. However, the Company appealed this Judgement on 29/08/1442H, and no final ruling has been issued as at the date of this Prospectus.

The Company signed an exclusive concession contract (Contract No. 002/C/32 dated 23/01/1432H) with Jeddah Governorate Municipality to invest in Mupi advertising billboard sites. This contract expired on 22/01/1442H. Jeddah Governorate Municipality issued Letter No. 4100079395 dated 01/04/1441H, extending the expiration period of the Contract for five (5) months and three (3) days. Jeddah Governorate Municipality then issued Letter No. 4000217352 dated 13/01/1442H, in which it retracted its approval to extend the contract, confirming the date of 22/01/1442H as the date the contract term expires. The Company, in its capacity as plaintiff, filed Lawsuit No. 3603 of 1442H with Jeddah Sixteenth Administrative Circuit against Jeddah Governorate Municipality, in its capacity as defendant, requesting that Jeddah Governorate Municipality abide by its Letter No. 4100079395 dated 01/04/1441H, which extended the expiration period of the contract for five (5) months and three (3) days, or to oblige Jeddah Governorate Municipality to pay sixteen million, six hundred twenty-one thousand, seven hundred eighty-two Saudi Riyals (SAR 16,621,782) to the Company to recover the lease amounts paid to Jeddah Governorate Municipality for sites that were not handed over to the Company. Moreover, the Company requested the Circuit to order Jeddah Governorate Municipality to pay sixteen million, seven hundred thirty-seven thousand, and three hundred sixty-nine Saudi Riyals (SAR 16,737,369) to the Company for the financial losses incurred thereby when Jeddah Governorate Municipality removed the billboards. The Company also requested the Circuit to order Jeddah Governorate Municipality to pay attorney fees of one million Saudi Riyals (SAR 1,000,000) incurred by the Company to file this lawsuit. A first instance judgement was issued by the Sixteenth Administrative Circuit on 13/09/1442H, obliging Jeddah Governorate Municipality to extend Contract No. 002/C/32 dated 23/01/1432H for five (5) months and three (3) days, and dismissing the Company's request for attorney fees. In addition, the Circuit ordered the Company to pay one million, fifty-four thousand, six hundred ninety-two Saudi Riyals (SAR 1,054,692) for the rent for the tenth year of the contract that is the subject of the lawsuit. This was based on the request of Jeddah Governorate Municipality during the hearing. However, the Company appealed this Judgement on 13/10/1442H, and no final ruling has been issued as at the date of this Prospectus (for further information, please see Section 12.13 ("**Litigation**")).

If the rulings issued in these lawsuits are not in favour of the Company, this will have an adverse and material effect on its business, results of operations, financial position, and prospects. In addition, regardless of the outcome of these lawsuits, the Company may incur heavy expenses and be forced to allocate significant resources to reply to these claims and defend itself, which would have an adverse and material effect on its business, results of operations, financial position, and prospects.

2.1.26 Risks Related to the Company's Implementation of Recently Adopted Corporate Governance Regulations

The Company's Board of Directors approved the Internal Corporate Governance Regulations on 10/07/1441H (corresponding to 5 March 2020G), which were also approved by the Company's Extraordinary General Assembly on 23/07/1441H (corresponding to 18 March 2020G). The Regulations include rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA. The Company's success in proper implementation of the corporate governance rules and procedures will depend on the extent to which such rules and procedures are comprehended, understood and properly executed by the Board, its Committees and Senior Executives, especially with regard to the formation of the Board of Directors and Board Committees, independence requirements, rules related to conflict of interests and Related Party transactions. Failure to adhere to the governance rules, in particular the mandatory rules drawn from the CMA Corporate Governance Regulations, would expose the Company to statutory sanctions. This would materially and adversely affect the Company's business, results of operations, financial position and prospects.

On 23/07/1441H (corresponding to 18 March 2020G), the Company's Extraordinary General Assembly formed an audit committee composed of three non-executive members. On 23/07/1441H (corresponding to 18 March 2020G), the Board of Directors formed the Nomination and Remuneration Committee. Each committee was to perform the tasks assigned thereto in accordance with the Internal Corporate Governance Regulations (for more information, see Section 5.3 ("**Board Committees**"). The failure of committee members to perform their duties and adopt a positions that protect the interests of the Company and its Shareholders may affect corporate governance compliance, continuous disclosure requirements and the Board's ability to monitor the Company's business through these committees, which would have a material adverse effect on the Company's business and financial position, and results of operations.

Given the recent formation of these committees and their infrequent meeting, the recent establishment of the Company's internal governance system, the recent formation of the Internal Audit Department and Risk Department, and the recent appointment of independent members, any future inability of such committee members and independent members to carry out the tasks assigned thereto and follow a work methodology that protects the interests of the Company and its Shareholders, may affect the implementation of the governance regulations and the efficiency of the Company's Board of Directors control over the management of its business through such committees. This might expose the Company to potential non-compliance with continuous disclosure requirements after listing on the one hand, and to operational, administrative and financial risks on the other hand. Accordingly, this would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.27 Risks Related to Recent Conversion into a Joint Stock Company Listed on Saudi Tadawul Group

Since its incorporation, the Company has been managed as a family company and Senior Management have limited experience in managing public joint-stock companies. Specialised experience in such a field is required to manage a public joint stock company. Upon the admission of the Company's shares to Saudi Tadawul Group (Tadawul), the Company and its Board of Directors and Senior Management shall be required to meet continuous disclosure requirements and obligations and prepare various reports applicable to all listed joint stock companies in accordance with the OSCOs and the Corporate Governance Regulations issued by the CMA. Consequently, Senior Management in particular must exert greater effort and obtain internal or external training in the management of a listed joint stock company, which may reduce the time that Senior Management devote to managing the daily business of the Company, to ensure that the Company adheres to these laws, regulations and rules on an ongoing basis.

The recent formation of the Company's Board and its committees and the recent application of CMA's Corporate Governance Regulations may have an adverse effect on the Company's performance in the event that Board Members are unable to understand the disclosure requirements and/or obtain administrative mastery of the obligations on the Company and the Board in the post-listing phase, which would lead to financial fines being imposed on the Company. Moreover, the introduction of new independent Board members from outside the Company may have an adverse effect if the current Directors are unable to cooperate and agree with them on a clear policy to effectively manage the joint stock company. If the Company fails to comply with these requirements, such failure would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.28 Risks Related to Changes in the Regulatory Environment

The Company's business is subject to many laws and regulations in the Kingdom, including the regulations of the Ministry of Commerce, the Ministry of Investment, the Ministry of Human Resources and Social Development, the Ministry of Municipal and Rural Affairs and Housing, Civil Defence and the Ministry of Media. In the event that any of these laws or regulations are changed, breached, or improperly implemented by the Company's Management or employees, the Company's operational costs will increase and it may also be subject to fines or penalties or may suffer damage to its reputation, which reduces the Company's competitive position and demand for its services. This in turn would have an adverse effect on the Company's business, financial position, results of operations, and prospects.

The Company's leases with secretariats and municipalities to rent various outdoor advertising sites also impose certain obligations on the Company to observe the religious principles, customs and traditions of the Kingdom of Saudi Arabia in terms of the advertising panels and content thereof. All of these contracts are subject to the Rules Organising Advertising and Publicity Boards issued under Council of Ministers Resolution No. 177 dated 04/11/1410H and ratified by Royal Decree No. M/53 dated 28/11/1412H, and the Municipal Real Estate Disposal Regulations issued under Royal Decree No. 3/b/38313 dated 24/09/1423H. Nevertheless, it is possible that certain government agencies, including secretariats and municipalities, will in the future impose regulations similar to those in other markets that, for example, restrict the locations of roadside billboards to some commercial and industrial areas, require that billboards not exceed certain sizes or require specific distances between billboards.

Non-compliance with applicable laws or regulations and the enactment of new laws or regulations regarding outdoor advertising may impose further compliance requirements on the Company, which the Company may not be able to fulfil at all, or without incurring significant additional costs or other obligations. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

In addition, the Company cannot foresee changes in the regulatory environment, and the Company's regulatory environment may be subject to many changes due to changes to the tax law and the adoption of tougher antitrust, pricing, corporate governance and other regulations. Failure by the Company to comply with some or all of the requirements of laws and regulations applicable to the Company, or to which it is subject, will cause the Company to incur fines or penalties, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

Furthermore, the Company cannot foresee future government decisions that may affect the Company's business, including, but not limited to, government decisions to close roads or streets on which the Company's outdoor billboards are located. This would have a material adverse effect on its business, results of operations, financial position and prospects. It is also worth noting that some billboards have already been removed due to road development projects in Riyadh and Jeddah. These relate to three existing contracts for the Company's outdoor advertising sites, as it entered into a contract with Jeddah Governorate Municipality for Pisa/Mezah, Tower, Megacom and electronic billboards. The Company has been granted a compensatory period of seven (7) months and twenty-seven (27) days after the end of the contract term. The Company also entered into a Contract with Jeddah Governorate Municipality for Mupi billboards and was granted a compensatory period of five (5) months and three (3) days after the end of the contract term. In addition, the Company entered into a contract with Riyadh Municipality for Pisa/Mezah billboards and was granted a one-year compensatory period after the end of the contract term (for further information, please see Section 12.19 ("**Existing Company Contracts for Outdoor Advertising Sites that have Expired and the Company Continues to Operate According Thereto under a Compensatory Period Granted by the Municipality as at 31 December 2020G**")).

2.1.29 Risks Related to Current Shareholders and Some Board Members Conducting Business Competing with Company Business

Some of the Company's Current Shareholders and Directors own companies licensed to operate in the field of advertising. The activities of these companies may be similar to or compete with the Company's business, directly or indirectly, which may lead to a conflict of interest between the business of a Substantial Shareholder or Director and the Company's business. Currently, Muhammed Abdelellah Alkhereiji is an indirect partner of Saudi Media Company. (This company's activities are limited to various fields related to media, publishing, radio and electronic application sites. It is currently the exclusive agent of the Saudi Broadcasting Authority and is also involved in the management of the King Saud University Stadium and marketing activity.) Moreover, he is the owner of National Alwasail Company (which has not yet started its activities). Both companies have businesses similar to or competing with the Company. On 18 March 2020G, corresponding to 23/07/1441H, Muhammed Abdelellah Alkhereiji obtained permission from the Company's General Assembly to engage in activity that competes with the Company's activity. Directors' participation in competing business is subject to the approval of the Ordinary General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law. Any Director participating in a business competing with the Company may not vote on any relevant resolutions. Due to restrictions on shareholders regarding voting in the General Assembly in accordance with Article 46 of the Corporate Governance Regulations, no Current Shareholder has the right to vote on a resolution related thereto in the General Assembly. Potential risks include the fact that the Board of Directors or the General Assembly may not approve the participation of a Director in a business competing with the Company. In such case, the Director who has an interest in such transaction must resign or take measures to ensure that they no longer have any interest (for example, termination of the contract in question or assignment of rights arising from said interest) (for more details on the participation of the Board Directors in business competing with the Company, see Section 5.9 ("**Conflict of Interest**")).

These shareholders and Directors influence Company decisions, and sometimes their interests may not be compatible with the interests of other Company shareholders. There are no contractual arrangements between Current Shareholders and the Company to ensure that Current Shareholders will not engage in any activity that may result in a conflict of interest, or that may compete with the Company's business. As at the date of this Prospectus, no Director, Senior Executive, or Shareholder is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company's business, or any similar obligation in relation thereto. In the event that these Shareholders or Directors do not comply with the continuous disclosure requirements, this would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.30 Risks Related to the Company's Inability to Use its Leased Advertising Sites

As at 31 December 2018G, 2019G and 2020G, the Company has entered into 88, 76 and 68 lease agreements, respectively, out of 90, 83, and 78 lease agreements as of 2018G, 2019G and 2020G, respectively, with various parties to rent sites that the Company currently uses as advertising sites. Under these contracts, the Company leases 7,640, 6,786 and 6,106 sites for its billboards for the years ended 31 December 2018G, 2019G and 2020G, respectively, throughout the Kingdom of Saudi Arabia (for more information, see Section 12.7.1 ("**Contracts for Outdoor Advertising Sites**"), Section 12.7.2 ("**Contracts for Indoor Advertising Sites**") and Section 12.10 ("**Real Estate**")). The occupancy rate of the total number of leased sites on which advertising campaigns were carried out on to the available advertising spaces was equivalent to 54%, 60% and 42% for the years 2018G, 2019G and 2020G, respectively. The Company might not be able to use all the leased sites due to reasons such as the existence of projects in such sites that prevent the Company from using them, in addition to the lack of sufficient demand to occupy the available sites. If the Company is unable to use the sites leased thereby for any reason mentioned in this section including the economic and seasonal factors, rental costs of the unused sites will be deducted from the contract value, or the Company will have the option to choose alternative sites. The size of unused sites did not exceed 4.8%, 6.7% and 7.8% in 2018G, 2019G and 2020G, respectively. If it is not able to use the leased sites or if the occupancy rate decreases, the Company will lose the revenues generated from renting the billboards to be installed on such sites. Such loss would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.31 Risks Related to Operational and IT Systems

The Company relies on IT systems to manage its business and facilities, including displaying client advertisements on the Company's digital billboards. It has no control over potential failure by third parties (such as the electricity company and communications companies) to provide uninterrupted, high-quality service for IT systems. The Company's IT systems may sustain damage caused by computer viruses, natural disasters, intruders or hackers, hardware or software failures, power surges, e-terrorism and other similar disturbances. In the event that the Company's IT systems fail to work as expected for any reason or if any major breach of security occurs, this would disrupt a key part of the Company's business related to digital billboards connected to digital systems, which account for 17%, 31% and 52% of the Company's total revenue as at 31 December 2018G, 2019G and 2020G. This would in turn have an adverse effect on the Company's business, financial position, results of operations and prospects. In addition, the Company's increased use and reliance on web-hosted applications and systems (such as cloud computing) to store, process and transmit information could expose the Company and its employees and clients to risk related to loss or misuse of such information. This may result in the Company incurring costs to provide protection from damages resulting from these disruptions or security breaches in the future. Business activities may be substantially disrupted if any of the Company's information technology or communication networks are totally or partially disrupted, which would in turn adversely affect its business, financial position, results of operations and prospects.

2.1.32 Risks Related to the Company's Implementation of International Financial Reporting Standards (IFRS)

The Company's financial statements for the fiscal year ended 31 December 2018G were prepared in accordance with IFRS, in line with the SOCPA Board of Directors resolution requiring companies listed on Saudi Tadawul Group to apply IFRS as at 2017G and other establishments as at the beginning of 2018G. The Company also amended the comparative numbers for the fiscal year ended 31 December 2017G in order to conform with IFRS. However, these financial statements may not be precisely comparable with the financial statements for the fiscal year ended 31 December 2018G, as they have been prepared in accordance with a number of policies, provisions, estimates and accounting assumptions that may not be completely identical to the IFRS requirements.

There are a number of fundamental differences between IFRS and the accounting standards issued by SOCPA. These differences resulted in a change in the accounting treatments for a number of items in the Company's consolidated financial statements for the fiscal year ended 31 December 2018G. They are the first consolidated financial statements prepared in accordance with IFRS adopted in the Kingdom of Saudi Arabia and IFRS 1 (First-time Adoption of International Financial Reporting Standards). These changes include, but are not limited to, the revenue recognition policy due to adoption of IFRS 15, the classification method for loans provided by the Ministry of Finance due to adoption of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), the classification and measurement method for financial instruments, specifically the recognition policy for ECLs on trade receivables due to adoption of IFRS 9 (Financial Instruments), and the actuarial cost method for some employee benefits. In addition, the Company applied IFRS 16 (Leases) as at 2019G.

According to the Company's financial statements, the impact of applying IFRS 16 on balance sheet items on 1 January 2019, is as follows:

- Recognition and presentation of right-of-use assets and lease liabilities of SAR 1,113,285,660 separately on initial application.
- Reclassification of the amount of SAR 255,455,192 for operational leases previously classified as advance payments to right-of-use assets.
- The impact of the application of IFRS on the items of the comprehensive consolidated income statement for the year ended 31 December 2019G:
  - An increase of SAR 374,414,718 in amortisation expenses related to the amortisation of the recognised right-of-use assets.
  - An increase of SAR 6,747,804 in lease expenses related to previous operational lease contracts as a result of settling contracts when transitioning to the international standard.
  - An increase of SAR 23,471,481 in financing costs related to interest expenses for additional recognised lease liabilities.

IFRS implementation has resulted in the update of some accounting policies such as the revenue and asset recognition policy. In accordance with the new standard, the Company substantiates revenues upon the client's receipt and consumption of services provided over a period of time equal to the number of days of service provision. For more information, see the financial statements for the period ended 31 December 2018G (Important Accounting Policies). The Company's preparation and stipulation of additional provisions may have an adverse effect on its net profits and total assets.

Based on the above, the Company's application of IFRS has led to changes to its consolidated financial position, consolidated financial performance, and consolidated cash flows for the years ended 31 December 2018G and 31 December 2019G. Such application will also lead to similar changes in the subsequent fiscal years or other material changes with impacts that are not currently apparent or of which the Company may not be aware. In addition, the recent application of IFRS may lead to errors or inaccuracy in their application, which would result in the Company's consolidated financial statements being inaccurate. In addition, the regulatory authorities may require the application of a new or amended standard due to the development of the application of IFRS adopted in the Kingdom of Saudi Arabia during the coming years. This may result in material changes to the Company's consolidated financial statements. Occurrence of any of the above events would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

There were some errors in the presentation and classification of some figures in the year 2018G with regard to Related Parties (Note No. 9 in the financial statements) and the Company did not amend them because they are not material. They are as follows:

- An amount of SAR 0.4 million was spent on Mezah software, which appeared in the financial statements for the year 2018G by mistake as part of general and administrative expenses while it should have been classified within operational expenses as it pertains to Mezah billboards.
- Dividends of SAR 58.5 million paid by Al Miza Company appeared in the financial statements for the year 2018G, while the Company confirmed that the amount of dividends paid was SAR 33.9 million, and the remaining amount of SAR 24.6 million was collections and sales made through Al Miza Dubai Company. Note that the amount of SAR 58.5 million

regarding Al Miza Outdoor Advertising Company appeared in the financial statements for the year 2019G as sales and cash transfers, while in the financial statements for the year 2018G, it appeared as sales commissions for Senior Management.

- Capital expenditure purchases of SAR 36.4 million from SignWorld and SAR 4.1 million from House of Skill Maintenance Company respectively, were not included in the notes on the financial statements.
- Management recorded the full depreciation of the right-of-use asset in FY 2019G instead of allocating a portion of SAR 1.5 million to FY 2020G.
- The balance for House of Skill Contracting Company in 2019G includes a total of SAR 2.7 million pertaining to House of Skill Maintenance Company, as the two accounts are merged under the House of Skill Contracting Company, which is the main Commercial Register, and the House of Skill Maintenance Company is an internal accounting classification only. The balance appeared under the name House of Skill Maintenance Company in the financial statements for the year 2019G separately, yet the statements for the year 2019G were not modified.
- An amount of SAR 2 million belonging to Al-Hadaf Al-Mumayaz Holding Company, which is the former name of Engineer Holding Group Company, appeared in the financial statements for the year 2018G.
- Al Miza Outdoor Advertising Company appeared in the financial statements under the name Al Miza Company.

In the event that this happens in the future, it may materially affect the accuracy of the presentation of the financial statements, which may require amendment. This may result in material changes in the presentation method that adversely affect the Company's decisions, its business and financial position accordingly.

2.1.33 Risks Related to Acquisitions and Joint Ventures

The Company may expand its business by investing in joint ventures or acquiring companies, businesses or assets related to the advertising sector. Such expansion depends on the Company's ability to identify suitable investments and acquisitions and successfully execute them. In some circumstances, suitable investments or businesses may not be available for acquisition. Acquisitions involve a number of risks, such as: (1) the difficulty of integrating the acquired assets into the Company's existing business (2) the impact on the Company's existing business due to the Company's Management being distracted from conducting daily business; (3) the difficulty of maintaining quality of services regarding the acquired assets; (4) potential legal and financial obligations arising from acquisitions; (5) failure to realise expected benefits from the acquisitions; (6) increase in expenditures associated with the completion of the acquisition and depreciation of any acquired intangible assets; (7) challenges in implementing consolidated standards, accounting policies, controls, procedures and policies in all acquired business; (8) inability to maintain, incentivise, and integrate on-boarding key management and other employees of the acquired business; (9) loss of clients.

Moreover, in the event that the Company needs to obtain financing for an acquisition, this may limit its ability to borrow additional amounts and lead to the allocation of a greater amount of its cash flow from its operations to repay its debts. This would lead to decreased cash resources available to the Company to finance capital expenditure, make acquisitions or other investments in new business initiatives and meet the Company's needs and working capital requirements. This increase in indebtedness may also reduce the Company's flexibility to plan for and address potential changes to its business or field or related challenges.

The potential risks associated with future acquisitions may lead to a disruption of the Company's business, which could lead to loss of clients or key employees and higher expenses. This would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.34 Risks Related to Depreciation of the Book Value of Certain Assets

Depreciation of a portion of the Company's assets was SAR 120 million as at 31 December 2020G, or 44% of the Company's SAR 275 million in assets. The fully depreciated Company assets were worth SAR 32 million as at 31 December 2020G. Note that the depreciation rate of billboards approved by the Company is estimated at 15%, which is a high depreciation rate for the Company's assets. Total depreciation of billboards amounted to SAR 77 million as at 31 December 2020G out of the billboard value of SAR 174 million. The value of fully depreciated billboards is SAR 14 million, or 44% of the Company's total fully depreciated assets as at 31 December 2020G, which may require the Company to replace such assets in the future, especially billboards, to maintain the quality of service provided to clients. This would increase the Company's capital expenditure, which would have an adverse effect on the Company's financial position and prospects (for more information see Subsection 6.5.2.5 ("**Property and Equipment**")).

2.1.35 Risks Related to Infectious Disease Outbreaks or Other Public Health Concerns, Including the Ongoing Global Coronavirus (COVID-19) Pandemic

The outbreak of an infectious disease – such as Middle East Respiratory Syndrome (MERS), Influenza A (H1N1), Severe Acute Respiratory Syndrome (SARS), and the novel coronavirus (COVID-19) – in the Middle East and/or any other region would have a material adverse effect on the Kingdom of Saudi Arabia's economy and the Company's operations. Since late December 2019G, COVID-19 has spread from China across the world. COVID-19 is an infectious disease caused by a highly contagious virus that causes respiratory inflammation and other symptoms such as fever, coughing, and shortness of breath.

Following the outbreak of COVID-19, the governments of many countries imposed travel restrictions and/or mandatory quarantine measures for international travellers, in addition to imposing restrictions, in some cases, on residents of certain regions, governorates or provinces in some countries. As at the date of this Prospectus, the Saudi government has imposed a set of containment measures in response to the outbreak, including:

- imposing curfews in major cities;
- preventing entry to or exit from one governorate to another;
- closing several public entertainment locations;
- restricting the hours wholesale and retail shops and commercial centres (malls) are permitted to conduct their commercial activities;
- suspending attendance at workplaces in all government entities except for the health, security, and military sectors and the Electronic Security Centre;
- reducing the number of employees and workers attending the workplace for private companies and institutions and charities, and
- temporarily suspending all schools and universities in the Kingdom of Saudi Arabia.

There is no guarantee that the above containment measures will succeed in stopping or limiting the spread of coronavirus (COVID-19) in the Kingdom of Saudi Arabia. These measures would also have material adverse effects on the Saudi economy and investor and business confidence for an unpredictable period, which in turn would have a material adverse effect the Company's business, results of operations, financial position and prospects.

Since the outbreak of the coronavirus (COVID-19), the Company has cooperated with the concerned government agencies, using its billboards to display messages directed to citizens with precautionary measures to address COVID-19. This is consistent with the supporting efforts made by the competent and relevant health authorities to address COVID-19 and the continuous efforts made by all government agencies in the Kingdom of Saudi Arabia to take the necessary preventive measures to prevent its spread. The Company incurred losses of SAR 84 million during the second quarter of 2020G, due to the closure and curfew imposed during the second quarter and the accompanying absence of revenues recorded in such period.

The Company generates a large portion of its revenue through the advertising services it provides to its clients. Therefore, a curfew in major cities would materially and adversely affect the Company's revenue.

As a result of the COVID-19 outbreak in the Kingdom of Saudi Arabia and other countries, the Company will be exposed to the risk of business interruption. In particular, the import of certain international products the Company purchases from suppliers located in highly affected countries, such as China and several European countries, will be suspended, delayed or adversely affected. In addition, if a Director, Manager or other employee of the Company is infected with COVID-19, the Company will have to temporarily suspend its operations and/or the affected individuals will be subject to quarantine, which would disrupt the ordinary course of the Company's business. If COVID-19 lasts for a long time it may, in extreme cases, result in suspension or shut-down of the Company's operations.

The above cases also apply in the event of a future outbreak of other infectious diseases or any other public health concerns in the Kingdom of Saudi Arabia. Any of the factors stated above would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.36 Risks Related to Housing Company Staff during the COVID-19 Pandemic

In response to the COVID-19 global pandemic described in Section 2.1.35 ("**Risks Related Infectious Disease Outbreaks or Other Public Health Concerns, Including the Ongoing Global Coronavirus (COVID-19) Pandemic**"), the Company has taken some preventive measures with regard to the housing it provides to employees of the Company and its subsidiary, including:

- securing additional rented buildings to accommodate employees in order to reduce the number of employees in each room and ensure social distancing;
- setting up temperature checkpoints for employees at entrances and exits of housing facilities to check the temperature of every employee entering and leaving said facilities; and
- taking enhanced sterilisation measures in every room, which include disinfectants, masks and gloves.

Governmental agencies may require the Company to take additional preventive measures, which may be more stringent than those mentioned above, with regard to housing Company employees, which may lead to the Company incurring additional labour costs, fuel, water and electricity consumption costs, repair and maintenance costs, sterilisation costs, employee thermometers and personal protective equipment (such as masks and gloves), insurance premiums and rental costs for properties that the Company leases, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

In addition, there can be no assurance that said measures or any other measures adopted in the future to prevent the spread of coronavirus among the Company's employees will be effective. The virus can spread quickly among Company employees in their places of residence, despite all the mentioned measures taken. If such infections occurred, they would lead to a shortage of employees, which in turn would affect the Company's financial performance, including a possible decrease in revenue. This would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.37 Risks Related to Assessment of ECL on Accounts Receivables

In its policies of sales and receivable aging (clients), the Company relies on the budget approved at the beginning of 2019G. The lower receivables model (ECL) has not been applied, as the standard was recently introduced and applied at the beginning of 2020G. The Company did not apply the lower receivables model (ECL) standard according to IFRS requirements for the years 2018G and 2019G. As a result of the application of the lower receivables model (ECL), the Company recorded additional expenses of SAR 8 million for 2020G related to the Company's expected credit losses. Trade receivables bear interest and are due after a period of 30 to 90 days from the issuance of the invoice. The fair value of receivables equals the book value of those receivables as at 31 December 2019G because they are due within a period of less than 12 months from the date of the balance sheet. The Company has guarantees for receivables, and the number of clients with receivables older than one year as of 31 December 2020G was five. The Company adopts the simplified approach to calculate expected credit losses as stipulated in the IFRS 9, which allows the use of lifetime expected loss provision for all accounts receivable. For calculation of expected credit losses, accounts receivable are grouped based on common credit risk characteristics and days overdue.

The Company assesses the provision for expected credit losses in accordance with IFRS 9 (Financial Instruments). The Company reviews its accounts receivable at each reporting date if a provision for expected credit losses is to be recognised in the consolidated statement of profit or loss. Judgement by Management is required in the estimation of the amount and timing of future cash flows when determining the ECL loss. These estimates are based on assumptions of some factors, such as an aging analysis of accounts receivable, materiality, profiles of accounts receivable, existence of guarantees or related securities, the current and expected state of the economy and credit ratings of debtors. Under IFRS 9, accounting treatment of financial instruments is different from IAS 39 requirements. IFRS 9 applies new requirements for impairment, reclassifies the original measurement categories and applies new measurement classes for each of the Company's financial instrument categories.

Consequently, in the event that IFRS 9 is applied, the amounts due from its suppliers will be settled out of the outstanding balances and deducted in a timely manner when they are generated. Any change in estimates, assumptions or decisions upon assessment of the expected credit losses of the Company's accounts receivable will have a material adverse effect on the Company's business, results of operations, financial position, and prospects.

2.1.38 Risks Related to Recording Discounts and Extending Advertising Campaign Periods

The Company does not use an automated system to record discounts granted to clients or to extend advertising campaign periods free of charge. The Company's employees register these discounts by recording them in internal books, which increases the possibility of errors, namely granting additional discounts to clients or increasing the extension of advertising campaigns other than as agreed upon with clients. If any error is committed by the employees in recording discounts or extending the advertising campaign period, this will lead to disputes with clients and the Company will incur financial losses, which would have an adverse effect on the Company's business, financial position, results of operations, and prospects.

2.1.39 Risks Related to the Companies Law

The Companies Law issued under Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10 November 2015G) imposes certain regulatory requirements that the Company must abide by. To comply with such requirements, the Company must adopt specific procedures such as amending its Bylaws to comply with the Companies Law and adhere to the periods stipulated for holding General Assembly meetings. In the past, the Company did not adhere to the specified period for holding the Ordinary General Assembly set out in Article 91 of the Companies Law and has voted on issues that were not included in the agenda of the General Assembly meeting.

Article 71 of the Companies Law provides that no member of the Board of Directors shall have any interest, directly or indirectly, in the transactions or contracts made for the Company, except with the authorisation of the Ordinary General Assembly and according to the controls imposed by the competent authority. Board members shall inform the Board of Directors of any interest, direct or indirect, in the transactions or contracts made for the Company and such disclosure shall be recorded in the minutes of the Board meeting. Such board member may not participate in voting on the resolution to be issued in this regard by the Board of Directors and shareholders' assemblies. On 18 March 2020G, a meeting of the General Assembly was held. The Company's shareholders were Abdelellah Alkhereiji and Engineer Holding Company, which was represented in the meeting by Muhammad Abdelellah Alkhereiji. Engineer Holding Company is owned by: Abdelellah Abdulrahman Alkhereiji, Muhammad Abdelellah Alkhereiji, Abdulrahman Abdelellah Alkhereiji, Amal Abdullah Aljaawaini, Fatima Abdelellah Alkhereiji, Adwaa Abdelellah Alkhereiji, Anoud Abdelellah Alkhereiji and Yara Abdelellah Alkhereiji. All shareholders voted on some items related to approving transactions with Related Parties. At that time all shareholders had interests (whether direct or indirect) in those transactions, which conflicts with the first paragraph of Article 71 of the Companies Law. If the Company applies the first paragraph of Article 71 of the Companies Law, none of the shareholders will be able to vote on the clause approving transactions with Related Parties, as each one of them will have interests that prevent them from voting. The Company held an Extraordinary General Assembly on 22 June 2021G, where MBC Holding Group approved all transactions with Related Parties in which Engineer Holding Company, Abdelellah Alkhereiji, Muhammad Alkhereiji have an interest. Engineer Holding Company, and Abdelellah Alkhereiji, approved transactions with Related Parties in which Samuel Barnett has an interest.

The current Companies Law imposes stricter penalties for violation of its mandatory provisions and rules. Fines for violating some of the provisions may reach SAR 500,000. Therefore, if the Company is subjected to a penalty due to non-compliance with these provisions, or if it does not comply with the provisions of its Bylaws, this will have a material adverse effect on the Company's business, financial position and results of operations.

2.1.40 Risks Related to the Shareholders Agreement and Rights Granted to MBC Group Holdings

Based on the 24 April 2020G share sale and purchase agreement concluded between Abdelellah Abdulrahman Alkhereiji and MBC Group Holdings Ltd., Abdelellah Abdulrahman Alkhereiji sold 5% of the Company's capital to MBC Group Holdings Ltd. The Current Shareholders agreed to the terms and conditions of the shareholders' agreement signed on 28 July 2020G. This agreement includes terms and conditions that give MBC Group Holdings Company Ltd. some rights, including the right to purchase 15% of the Company's shares. The agreement also stipulates the pre-emptive rights granted to both MBC Group Holdings Company Ltd. and Engineer Holding Group Company. These rights shall continue after admission. (For more information on the Shareholder Agreement, see Section 12.7.4 ("**Shareholders Agreement**")).

Any of the Current Shareholders' interests may conflict with the interests of other Company Shareholders, and the Current Shareholders may prevent the Company from making certain decisions or actions that might protect the interests of other Company Shareholders. This may also result in postponement, delay or prevention of any change in the control or distribution of proceeds, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.41 Risks Related to Working Capital Management

Currently, the Company finances working capital (especially leases) through six local banks, which amounted to SAR 139 million, SAR 239 million and SAR 132 million in 2018G, 2019G and 2020G (for further information, see Section 12.8 ("**Credit Facilities**")). If the Company fails to obtain loans to finance the deficit in working capital, this will have an adverse and material effect on its business, financial position, results of operations, and prospects.

2.1.42 Risks Related to the Use of Short-term Financing to Pay Rent

The Company is currently using short-term financing to pay rent amounts due to secretariats and municipalities through local banks. If the Company fails to obtain short term financing to pay the rent amounts due to secretariats and municipalities, this will have an adverse and material effect on its business, financial position, results of operations, and prospects (for further information, please see Section 2.1.16 ("**Risks Related to Financing Based on Short -term Loans**")).

In the event that any of these banks deems the Company in violation of the facilities agreement and decides to exercise its established rights, no guarantees can be given that the Company will be able to obtain sufficient alternative financing to pay the rent amounts, which would have a material adverse effect on its business, financial position, results of operations, and prospects.

Since all bank facilities are made through short-term loans, the Company may need additional financing if it decides to expand its operations in the future. If the Company fails to secure such financing in the future or if such financing is available but under unfavourable terms, this would lead to the Company's inability to expand its operations. In addition, there is no guarantee that, if the Company has access to additional financing and uses it fully, it will be able to repay its rents when due. If any of these events occur, it will have a material adverse effect on its business, financial position, results of operations, and prospects, given that all loans are short-term.

2.1.43 Risks Related to the Company's Capital Investments

For its activities, the Company relies on the development of its fixed assets used in operational activities (especially billboards) with high costs that require periodic investments to keep pace with digital transformation and to replace some screens with LED screens, which have a proportionally higher cost that exceeds their capital expenditures. Additions and conversions to fixed assets (billboards) were SAR 27.5 million, SAR 34.2 million and SAR 41.9 million for 2018G, 2019G and 2020G.

The Company's ability to recover its costs, achieve an adequate return on its investments, manage its financial position, and maintain a high level of capital investment depends on the level of market demand for the services provided by the Company and the pricing of these services. If demand for these services is less than expected, or if the Company is unable to provide such services based on a competitive pricing strategy, the Company may be unable to recover its costs or benefit from its capital expenditures, which would have a material and adverse effect on the Company's business, financial position and results of operations. The value and timing of the Company's future capital requirements may differ from its current expectations due to various factors that are beyond the Company's control. In the future, the Company may need to make larger capital investments in shorter than expected timeframes, and it may not have the necessary resources to make such investments. If demand is lower than anticipated, or if the Company is unable to provide its services based on a competitive pricing strategy or is unable to make larger capital investments in a shorter time period than expected or is unable to provide periodic investments to keep pace with digital transformation including replacing some screens with LED screens which have a proportionally higher cost, this could have a material adverse effect on the Company's business, financial position and results of operations.

2.1.44 Risks Related to Commissions Earned by Sales Personnel

In accordance with its internal policy, the Company grants sales commissions to motivate employees to achieve sales goals. These commissions amounted to SAR 7 million and SAR 21 million for 2018G and 2019G, respectively. The Company did not recognise any employee sales commissions for 2020G. If the Company amends its internal policy on granting such commissions and suspends or cancels employee commissions, this may have a material adverse effect on employee performance, which could have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.45 Risks Related to the Company's Exposure to Unforeseen Operational Risks and Commercial Obstacles

The Company's success depends to a large extent on the continuous operation of its billboards without being subject to difficulties, such as bad weather, power outages, malfunctions, billboard failure, deliberate sabotage of billboards or natural disasters.

Accordingly, the Company will not be able to carry out maintenance work and install and operate its billboards if it is unable to reach billboard sites as the result of traffic jams. This could lead to delays that would have a material adverse effect on the Company's business, profitability and reputation. If any such obstacle occurs, the Company's revenues would decrease as a result of any losses or cancellation of important reservations by clients.

If the Company's business is subject to interruption and the Company is unable to install, maintain and operate its billboards, this may affect the Company's revenues and profitability, which in turn could have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.2 Risks Related to the Market, Industry and Regulatory Environment

2.2.1 Risks Related to the Impact of Economic Risks in the Kingdom of Saudi Arabia on the Company's Operations

The Company's operations are all concentrated and its assets are all located in the Kingdom of Saudi Arabia, which is considered an emerging market. The subsidiary has no material assets or operations. While the Kingdom of Saudi Arabia continues to implement an economic diversification policy to increase the contributions of non-oil sectors, it still depends on its income from the oil sector to implement and develop its economic plans. Consequently, any decrease in oil prices may lead to an economic slowdown or significantly reduce government spending, which would adversely affect the Kingdom of Saudi Arabia's economy, including all sectors and businesses, and, in turn, have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.2 Risks Related to Political Instability and Security Concerns in MENA

The Middle East and North Africa are subject to a number of political and security risks (such as wars and political instability) that may affect the Kingdom of Saudi Arabia. In addition, the political, economic and social environment in the region remains subject to continuous developments, which result in a great degree of uncertainty with regard to investments. As the Company's assets, operations and client base are currently located in the Kingdom of Saudi Arabia, any unexpected changes in the political, economic, social, security or other conditions of the MENA region may have an adverse effect on the Kingdom of Saudi Arabia's market, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.3 Risks Related to Competition

The Company operates in a competitive environment and competes with current and new rivals in the Saudi market. Companies operating in outdoor advertising (including the Company) compete with companies that rely on other advertising mediums such as television, newspapers and other media.

The Company also competes with a variety of outdoor advertising mediums such as stands and billboards in shopping centres, commercial centres, economic centres, airports, stadiums, supermarkets and universities which, due to their display locations, target specific segments of the population (such as advertisements in universities and sports clubs that target youth). Moreover, the Company expects that special projects relating to public transport within and between the Kingdom of Saudi Arabia's main cities (such as the Riyadh Metro project, the bus transport network development project in Riyadh and public transport projects in Jeddah, Mecca and Madinah like the Haramain High Speed Rail Project) will bring with them new forms of outdoor advertising. This will lead to more outdoor advertising spaces in the Kingdom of Saudi Arabia and stronger competition in outdoor advertising, as well as a decrease in the percentage of total outdoor advertising panels owned by the Company in the Kingdom of Saudi Arabia. Technologies used in the advertising sector may develop in a manner that gives rise to new advertising media that adversely affect advertisers' appetite for outdoor advertising. Outdoor advertising media provided by the Company may not be able to compete with other advertising media that currently exist or that may be introduced to the market in the future. If clients allocate a larger portion of their advertising spending to other advertising media, this could have a material adverse effect on the Company's business, prospects, results of operations and financial position.

Some of the Company's competitors in the future may be of a larger size and have more capital and resources than the Company. There can be no guarantee that the Company will be able to win tenders to lease advertising sites in the future, or that the Company will be able to compete either in the outdoor advertising market or with other advertising media.

If the Company loses its ability to compete with its competitors in any of the foregoing aspects, this will have a material adverse effect on the Company's business, financial position, results of operations and prospects. In order to keep its client base and market share, the Company will need to develop new products that meet its clients' needs. If competitors are able to provide similar or better products than those offered by the Company at a lower cost, the Company's market share will decrease, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Competition may lead to a significant reduction in advertising prices. The Company's ability to compete against regional and international companies depends on its ability to provide better products than those of its competitors by providing high-quality products at reasonable prices that satisfy the tastes and objectives of all consumers.

In addition, there is a significant increase in demand for online advertising. If the preferences of the Company's clients' change to advertising online or on highly popular social networks like Facebook and Twitter over outdoor advertising. This would lead to a decrease in the Company's revenues, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.4 Risks Related to the Competition Law and its Implementing Regulations

If the Company attains a dominant position in the market or is classified as a dominant company by the General Authority for Competition, the Company will be subject to the conditions and controls of the Competition Law, which is intended to ensure fair competition in Saudi markets and encourage and establish market rules and freedom and transparency of prices.

Article 6 of the Competition Law and Article 10 of the Implementing Regulations of the Competition Law state that a company with a dominant position in the market may not abuse said position to prejudice or limit competition, including refusing to deal with another entity without an objective reason in order to limit its entry into the market. Note that the following agreements contain exclusivity provisions that may violate the Competition Law:

- An exclusive agency agreement with Al-Manakhah Urban Project Company, which stipulates the Company's appointment as an exclusive agent for marketing and selling commercial advertisements in Al-Manakhah Project in Madinah.
- Lease agreement with Riyadh Front Company Ltd., which grants the Company the exclusive right to conduct and manage marketing activities within the Shopping Front Project.
- Lease agreement with Istithmar International Real Estate Company Ltd., which grants the Company the exclusive right to market and sell commercial advertisements in Riyadh Park.
- Lease agreement with Reyof Tabuk Company, which grants the Company the exclusive right to market and sell commercial advertisements in Tabuk Park.

Under the lease agreement with Istithmar International Real Estate Company Ltd. and the lease agreement with Reyof Tabuk Park, the Company is restricted from displaying advertising campaigns for shopping centres, cinemas or supermarkets that are in competition with the those located in the lessor's shopping centres (for more information on the above contracts, see Section 12.7.2 ("**Contracts for Indoor Advertising Sites**")).

In the event that the Company violates the provisions of the Competition Law and a judgement is issued against it for such violation, the Company may be subject to a fine of no more than 10% of the annual sales value (return) of the agreement in question or, if unable to calculate the annual return, ten million Saudi Riyals. In addition, the General Authority for Competition has the right to request the partial or full suspension of the Company's activities temporarily or permanently if the Company repeats the violation. Moreover, claim filing proceedings may be prolonged and costly to the Company, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.5 Risks Related to Seasonal Factors

The Company faces seasonal cycles affecting its operations and sales activity. Revenues in the advertising sector usually decline in the summer season, affected by a decrease in advertisers' spending on marketing campaigns inside the Kingdom of Saudi Arabia due to the summer holiday. Revenues also increase significantly during the period before and during Ramadan. Revenues in that period were SAR 149 million and SAR 172 million in 2018G and 2019G, respectively. The Company did not benefit from the Ramadan season in 2020G, as it did not generate any revenue in that season for the months of

April and May, which is mainly attributable to outbreak of the coronavirus pandemic (please see Risk Factor 2.1.35 "**Risks related to the outbreak of infectious diseases or other concerns that pose a threat to public health, including the ongoing global spread of COVID-19**"). At the beginning of the Gregorian year, the Company faces a decrease in business volume since advertisers set advertising budgets for the new year during that period. Such seasonal cycles may have a material and adverse effect on the Company's business, prospects, financial position and results of operations.

2.2.6 Risks Related to Reliance on Favourable Economic Conditions and Advertising Trends

The Company's revenues and operating profits depend on expenditure levels in the advertising market, which may be materially affected (directly or indirectly) by any change in governmental, economic, financial or monetary policies or any other factors in the Kingdom of Saudi Arabia. Advertisers may often cut their advertising budgets drastically, especially in periods of low economic activity, such as the global economic recession in recent years. Unlike in 2019G, which did not see large declines, in 2018G spending on advertising from the telecommunications segment decreased substantially by 30% compared to 2017G. There was also a significant decrease in the volume of spending in 2020G due to the coronavirus pandemic, by approximately SAR 290 million of the Company's revenues, at a percentage of 37% for the year 2019G (please see the Risk Factor 2.1.35 "**Risks related to the outbreak of infectious diseases or other concerns that pose a threat to public health, including the ongoing global spread of COVID-19**").

An economic recession in the Kingdom of Saudi Arabia could cause Saudi-based companies to significantly reduce their advertising budgets, which would result in a significant decrease in the Company's revenues. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.7 Risks Related to Currency Exchange and Interest Rate Fluctuation

The Company imports some products from foreign suppliers in foreign currencies (USD and Euro). Therefore, any decrease in the local currency against other foreign currencies (fluctuation of currency exchange rates) will lead to an increase in the costs incurred by the Company. In the event that the Company is unable to reflect such increase on sale prices, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects. Moreover, the Company's obligations under bank facilities may be subject to interest rate fluctuations, causing a potential increase in the Company's obligations under these facilities, which in turn would have an adverse effect on the Company's financial position and cash flows. This would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.2.8 Risks Related to Imports

The Company imports certain types of billboards and spare parts from foreign suppliers. The Company also imports some raw materials such as ink, paper, flex face material and banners used in the printing sector from countries such as China, France, the USA and Germany (for further information, see Section 5.7.4 ("**Company Suppliers**"). The procurement costs of these materials were SAR 13.3 million, SAR 8.8 million and SAR 3.2 million, accounting for 70%, 58% and 31% of the total procurement cost of SAR 18.9 million, SAR 15.2 million and SAR 10.6 million in 2018G, 2019G and 2020G. Consequently, the introduction of any new legal or regulatory requirements such as anti-dumping duties or customs tariffs and other measures, whether adopted by countries or regional trade blocs, may affect the prices of the products and goods it imports. This would adversely affect the Company's profitability, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.9 Risks Related to Higher Government Fees Imposed on Non-Saudi Employees

The Government approved a number of decisions to implement comprehensive reform of the labour market in the Kingdom of Saudi Arabia. Such decisions imposed additional fees for every non-Saudi employee working for a Saudi entity on 14/04/1439H (corresponding to 1 January 2018G), in addition to additional fees for issuing residence permits and renewal fees for non-Saudi employees (which came into effect on 07/10/1438H (corresponding to 1 July 2017G)). These fees gradually increased from four thousand, eight hundred Saudi Riyals (SAR 4,800) per year for each employee in 2018G to nine thousand, six hundred Saudi Riyals (SAR 9,600) per year for each employee in 2020G. Since these decisions and increases entered into force, the government fees that the Company pays for its non-Saudi employees in general have increased. Government fees were SAR 2.1 million, SAR 2.3 million and SAR 3.4 million for the years 2018G, 2019G and 2020G, respectively.

Consequently, these government fees may lead to an increase in the prices of services provided to the Company's clients. In addition, the increase in fees incurred by non-Saudi employees and labourers for their families in connection with obtaining and renewing residence permits will lead to higher living costs. This may lead to the Company's employees and labourers looking for job opportunities in other countries with lower costs of living. In this case, it will be difficult for the Company to retain its expatriate employees. The Company may have to incur additional government fees related to issuing and renewing residence permits for non-Saudi employees and their family members. This would lead to the Company incurring more financial obligations, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.10 Risks Related to Implementing the Value-Added Tax Law and the Violations Related Thereto

The Kingdom of Saudi Arabia issued a Value-Added Tax Law, which became effective on 14/04/1439H (corresponding to 01 January 2018G). This Law imposes a value-added tax of 5% on a number of products and services, as stipulated in the Law. The VAT rate increased from 5% to 15% on 1 July 2020G. Consequently, the relevant entities should be aware of the added value and how it is applied and calculated. They will also have to submit their own reports to the relevant government entities. Accordingly, the Company has to adapt to the changes resulting from the application of VAT, including the collection and delivery thereof. Since this Law was issued, any breach or misuse, calculation mistake or failure to submit supporting documents required by the Zakat, Tax and Customs Authority on the part of the Company's Management or employees may result in the Company incurring additional operating costs and expenses, being subject to fines or penalties or result in damage to its reputation. This would weaken the Company's ability to compete and reduce the demand for its services, which in turn would have an adverse effect on the Company's business, financial position, results of operations and prospects.

Notably, the Company received a final assessment notice from the Zakat, Tax and Customs Authority regarding the VAT returns filed for the year 2018G (the assessment was on zero-rated supplies provided to clients abroad). The Zakat, Tax and Customs Authority also imposed fines of SAR 3.4 million on the Company for providing inaccurate information and delaying payment of VAT. The Company paid the amount in full in 2019G. Therefore, it objected to these fines, and the Zakat, Tax and Customs Authority approved a final settlement and issued a credit note (a document stating the Company's entitlement to such amount) to the Company in the amount of SAR 1.4 million in 2021G (for further information, please see Section 12.14 ("**Zakat and Tax Status of the Company**")).

2.2.11 Risks Related to Imposing Additional Fees or New Taxes

The Company is currently subject to only Zakat, value-added tax, and withholding tax (given that some of the Company's dealings are with third parties not registered in the Kingdom). However, the Government may impose other fees or additional taxes on companies in the future. In the event that new taxes or fees are imposed on companies other than those currently in force, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.12 Risks Related to Change in the Zakat and Income Tax Calculation Mechanism

On 05/03/1438H (corresponding to 05 December 2016G), the Zakat, Tax and Customs Authority issued Circular No. 6768/16/1438 requiring Tadawul-listed Saudi companies to calculate income and Zakat based on the shareholders' nationality and the actual ownership of Saudi, GCC and non-Saudi nationals as indicated in the Tadawulaty system at the end of the year. Prior to this Circular, companies listed on the Exchange were generally subject to Zakat or tax based on the ownership of the company's founders in its Bylaws. The effect of the listed shares was not taken into account in determining the Zakat base. The Circular was scheduled to enter into force in the year ended 31 December 2016G and subsequent years. However, due to uncertainties surrounding the Circular's mechanisms of application, the Zakat, Tax and Customs Authority issued Letter No. 1438/16/12097 dated 19/04/1438H (corresponding to 17 January 2017G) postponing the Circular's implementation to the fiscal year ended 31 December 2017G and subsequent years. Pending the issue of Zakat, Tax and Customs Authority directives for the Circular's implementation mechanisms and procedures, the implementation of this Circular including the final requirements to be met is still pending, as are the rules imposing income tax on all non-GCC residents who hold shares in Saudi listed companies and the rules imposing withholding tax on dividends for non-resident shareholders regardless of their nationalities. The Company has not yet assessed the financial impact of this Circular, nor has it taken adequate steps to ensure compliance therewith, given that the Company is a closed joint stock company. Since the Company has foreign shareholders, if the financial impact of the Circular is significant or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.13 Risks Related to Changes in the Prices of Energy, Electricity, Water and Services Related to the Company's Operating Expenses

The Saudi Council of Ministers issued Resolution No. 95 dated 17/03/1437H (corresponding to 28 December 2015G), raising energy prices (including fuel) and electricity and water and sanitation tariffs for residential, commercial and industrial sectors, in line with Kingdom of Saudi Arabia policies aimed at rationalising the Government subsidy program. The Ministry of Energy and Industry issued a statement dated 24/03/1439H (corresponding to 12 December 2017G) on the Fiscal Balance Program Plan to adjust prices of energy products. This led to an increase in the prices of gasoline 91, gasoline 95, diesel fuel for industry and facilities, diesel fuel for transportation, and kerosene as at 14/04/1439H (corresponding to 01 January 2018G).

The Company's water and electricity (operating) expenses were SAR 1,050,000, (0.002% of revenue and 0.002% of total operating expenses), SAR 1,233,000 (0.002% of revenue and 0.003% of total operating expenses) and SAR 1,920,000 (0.004% of revenue and 0.005% of total operating expenses) in the fiscal years ended 31 December 2018G, 2019G and 2020G.

The price increases shown above, as well as any other potential increases, could reduce clients' disposable income in general. Accordingly, the volume of sales in the Company may be adversely affected, and its operating expenses may increase, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.3 Risks Related to the Shares

2.3.1 Risks Related to the Absence of a Prior Market for the Company's Shares

There is currently no public market for trading the Company's shares on the Saudi Tadawul Group. No assurance can be given that there will be an active and liquid market for trading the Company's shares after the end of the Offering. If an active and liquid market is not developed or maintained, the trading price of the shares would be adversely affected.

Moreover, the Offer Price was determined based on a number of factors including the Company's performance and results, future business projections, the sector in which it competes, its Senior Management's assessment, its operational activities, its financial results and other factors. Any discrepancy in the projections for these factors could cause significant fluctuations and great variability in the price of the Company's shares and the ability to sell them.

2.3.2 Risks Related to Existing Shareholders' Actual Control Post-Offering

After the Offering is completed, the Current Shareholders (direct or indirect) will own 70% of the Company. Therefore, the controlling shareholders will be able to influence all matters and decisions that require Shareholders' approval, including the election of Board Members, approval of contracts, the Company's important activities and dividend distributions and potential amendments to the Company's capital and its Bylaws.

Prior to the Offering, Abdelellah Abdulrahman Alkhereiji (a Selling Shareholder, a shareholder in Engineer Holding Group Company, and the Chairman of the Company's Board of Directors) will hold a 32.5% indirect ownership of the Company's shares (through his shareholding in Engineer Holding Group Company). As a result, he will individually be able to influence all matters that require the Shareholders' approval, including the election of the Board Members, capital adjustments and other influential decisions (for further information, see Section 12.7.4 ("**Shareholders Agreement**").

The interests of any of the Current Shareholders may conflict with those of other Company Shareholders, and the Current Shareholders may prevent the Company from adopting certain decisions or actions that might protect the interests of other Company Shareholders. This could also result in the postponement, delay, or prevention of any change in the control over dividends or their distribution and could reduce the demand for shares, which would have an adverse effect on share value.

2.3.3 Risks Related to Potential Volatility of Share Price in the Market

The Offer Price may not be indicative of the price at which the shares will be traded following completion of the Offering. Underwriters may not be able to resell their shares at the same or higher Offer Price, or at all, as the market price of the Offer Shares may be adversely affected after the Offering by factors beyond the Company's control. Such factors include:

- negative fluctuations in the Company's operating performance and improved performance of its competitors;
- actual or anticipated fluctuations in its quarterly or annual operating results;
- publication of research reports on the Company, its competitors or the advertising sector by securities analysts;
- public reaction to the Company's press releases and other public announcements;

- contradiction of analysts' expectations by the Company or its competitors;
- resignation of key employees;
- adoption of important and strategic decisions or changes in business strategy by the Company or its competitors;
- changes in the regulatory environment that affect the Company or the advertising sector;
- changes in accounting policies and regulations adopted;
- terrorist events, wars or periods of civil unrest;
- emergence of natural and other disasters; and
- changes in the general market and economic conditions.

Accordingly, the occurrence of any of the above risks or other factors may lead to a significant decrease in share price on the financial market.

In general, the financial market is subject to fluctuations in prices and supply volume from time to time. Market fluctuations may lead to severe fluctuations in share prices, which in turn lead to a decrease in the value of shares, as well as greater price fluctuation due to a decrease in the volume of share trading in the Subscribers' investments in the Company's shares.

2.3.4 Risks Related to the Sale of a Large Number of Shares in the Market Post-Offering

The sale of a large number of the Company's shares on the Exchange following the Offering's completion, or the possibility that such sale will occur, could adversely affect the market price of the shares. Following completion of the Offering, Engineer Holding Group Company and MBC Group Holdings Ltd. will be subject to a lock-up period of six (6) months as at the date on which the shares begin to be traded on the Saudi Tadawul Group. During the lock-up period, they may not dispose of their shares in any way. If Engineer Holding Group Company or MBC Group Holdings Ltd. sell a large number of their shares after the end of the lock-up period, such sale will have an adverse effect on the Company's share market and thus reduce its market price.

The Company does not currently intend to issue additional shares after completion of the Offering. In the event that the Company decides to increase its capital by issuing new shares, such issuance may negatively affect the share price on the financial market and may reduce the ownership percentage of the actual shareholders if they do not subscribe for the new shares at that time.

2.3.5 Risks Related to Dividend Distributions

Future share dividend distributions will depend on a number of factors, including financial position, future profits, capital requirements, liquidity, reserves distributable by the Company, general economic conditions, and any other related factors that the Board of Directors deem important from time to time. The Company may not be able to pay dividends, the Directors may not recommend paying dividends, and the Shareholders may not approve paying such dividends. In addition, the Company may not be entitled to do so according to provisions of the financing and credit facility agreements concluded with financing entities, some of which require that the Company obtain the financing entity's written approval before distributing any dividends to the shareholders. The financing agreement between the Company and Saudi Investment Bank stipulates that the Company shall not be entitled to distribute profits if it fails to comply with the terms and conditions of the agreement. The financing agreement concluded between Saudi British Bank (SABB) and the Company stipulates that the distribution of dividends shall be conditional on the absence of any breach of any obligation stipulated in the agreement unless written approval is obtained from the bank. The Company may incur expenses or obligations that may compel it to reduce or cancel the amount available for dividend distribution. If the Company does not pay dividends on the shares, Shareholders may not receive any return on investment in the shares unless they sell the shares at a price higher than the price at the time of purchase, which would have a material adverse effect on shareholders' anticipated returns. For more details, see Section 7 ("**Dividend Distribution Policy**").

Moreover, under some of the Company's facility agreements, the Company is required to retain a portion of its net profits and/or revenues (between 25% and 50%) in the Company's business, which may limit the Company's ability to distribute dividends to its Shareholders. None of the relevant banks have waived profit/revenue retention requirements as at the date of this Prospectus (for more information, see Section 12.8 ("**Credit Facilities**")).

2.3.6 Risks Related to the Future Offering of New Shares

The Company does not currently intend to issue additional shares after the end of the Offering. If the Company decides to increase its capital by issuing new shares (six months after the Listing date), these newly issued shares may adversely affect the market value of the shares, and moreover there may be a decrease in the ownership percentage of the actual Shareholders if they do not subscribe to the newly issued shares.

3- Market and Industry Data

3.1 Introduction to the Market Consultant

The information contained in this Section is derived from a report prepared by the Market Consultant (Frost & Sullivan), a company established in 1961G that has more than 1,200 employees in over 40 offices worldwide working exclusively for it as at March 2020G. For further information, please visit the Market Consultant's website: ww2.frost.com.

The Market Consultant does not, nor do any of its subsidiaries, associates, partners, shareholders, directors, managers or relatives thereof, own any shares or interest of any kind in the Company or its subsidiary. As at the date of this Prospectus, the Market Consultant has given and not withdrawn its written consent for the use of its name and logo and the disclosures, market information and statements supplied by it to the Company in the manner and format set out in this Prospectus.

The Company and Board Members believe that the information and data provided in this Prospectus that was obtained or derived from other sources, including the information those provided by the Market Consultant, are reliable. However, this information and data has not been independently verified by the Company, the Directors, the Current Shareholders or other advisors. Therefore, none of them assume any liability for such information.

All data in this Section pertaining to 2020G has been obtained from the Market Consultant's report in addition to other sources, including studies in online publications, reports by global advertising agencies, government websites and statistical portals, and initial research interviews with foreign advertising companies located in the Kingdom of Saudi Arabia. Also note that all data and statistics contained in this section are based on the latest available information about the market and the sector in which the Company operates. However, in cases where there are no relevant statistics or data, such as data related to outdoor advertising revenue in the Kingdom of Saudi Arabia, such information has been projected based on previous growth data. These projections were formed and confirmed by cross-referencing information obtained from secondary sources and research interviews with major players in the outdoor advertising sector. In addition, the information in this section does not include future projects expected to commence operation in the coming years.

3.2 Overview of the Saudi Economy

3.2.1 Kingdom of Saudi Arabia: A Promising New Chapter in Economic Growth

The Kingdom of Saudi Arabia's economy is one of the fastest growing economies in the world. It is an active G20 member and the largest economy in the Arab world and the Middle East.

The petroleum sector accounts for 42%, 87% and 90% of the Kingdom of Saudi Arabia's GDP, budget revenues, and export revenues, respectively. After several decades of reliance on oil and gas revenues as its main economic driver, the Saudi government is making concerted efforts to change the country's basic economic structure and diversify revenue sources through comprehensive economic reforms at all levels, as exemplified in Vision 2030.

The Kingdom of Saudi Arabia, like other countries, was affected by the drop in global oil prices in 2017G and 2018G. Accordingly, the government adopted pioneering initiatives to establish a broader economic foundation for the country by encouraging the development of local industries. This positive change is expected to lead to substantial tangible benefits in the near future. With the decline of oil revenues in 2020G, Saudi Arabia's global ranking on ease of doing business by World Bank slipped to the 63rd spot as compared to the 62nd spot in 2019G. The Kingdom of Saudi Arabia witnessed a sharp decline in international oil prices, with a historic collapse to $18.4 per barrel in April 2020G due to weak demand and production cuts agreed upon by the OPEC Plus countries. This took its toll on real GDP growth, which declined dramatically to (4.1%) in 2020G.

The following table illustrates the Kingdom of Saudi Arabia's real GDP growth between 2013G–2020G.

Table (3-1): Kingdom of Saudi Arabia - Real GDP Growth (2013G-2020G)

Gregorian Year	GDP Growth (%)*
2013G	2.7%
2014G	3.7%
2015G	4.1%
2016G	1.7%
2017G	(0.7%)
2018G	2.4%
2019G	0.3%
2020G	(4.1%)

Source: Frost & Sullivan

*All real GDP growth percentage figures have been rounded-up.

The Kingdom of Saudi Arabia's economy experienced a decline of -0.7% in real GDP in 2017G and a marginal recovery of 2.2% in 2018G. It further improved in 2019G with a GDP growth of 1.9%. In the first quarter of 2019G, the Kingdom of Saudi Arabia achieved a budget surplus of about SAR 39 billion. This surplus growth is due to the total revenues generated from oil and non-oil sources. GDP growth declined in 2020G, given the setback of the global pandemic, when economic activity was severely restricted and a lockdown was imposed to contain the spread of COVID-19.

The International Monetary Fund (IMF) stressed Kingdom of Saudi Arabia's economic potential and expected growth of 3.1% in 2021G, against the background of the upward movement in global oil prices with the resumption of economic activities globally.

3.2.2 Prospects: Maintaining Economic Growth and Looking Beyond Oil

In 2016G, the Government set out its plans in line with Vision 2030, a document that elaborates a blueprint for the Kingdom of Saudi Arabia's future growth with specific objectives that include, but are not limited to, new job opportunities in the retail field, higher expenditure on tourism (by foreigners and citizens) and new cultural and entertainment initiatives.

The Kingdom of Saudi Arabia has set an ambitious future objective to increase its total non-oil revenues from 16% (since 2016G) to about 50% by 2030G.

According to the Kingdom of Saudi Arabia's plan, the objective is to raise the SME share of the GDP from 20% to 35% by 2030G. At the same time, the private sector's contribution to the GDP will increase from 40% to 65%. Focus will be placed on strengthening local industries in untapped fields, creating new job opportunities for local residents, enhancing local tourism and developing the culture and entertainment fields. All of these increases will be reflected in the country's wealth through higher expenditure by Saudi citizens inside the country rather than abroad.

If the current wave of changes is taken into account, the Saudi economy will shift to a more diverse and dynamic composition shielded from price fluctuations in the global oil and gas markets. In general, the overall effect of all measures being taken will lead to an increase in consumer expenditure. This is expected to be followed by a surge in advertising expenditure, paving the way for additional growth in outdoor advertising revenue. Vision 2030 will result in, among other things, growth of the increasing market share of outdoor advertising in general as an indispensable medium for all major campaigns. In addition, a large part of outdoor advertising will be transformed into digital outdoor advertising to achieve a higher return on available advertising spaces and attract more demand for outdoor advertising by all segments of advertisers.

3.2.3 Vision 2030 - The Kingdom of Saudi Arabia's Transformation Plan

3-2-3-1 Main Pillars

Vision 2030 is the Kingdom of Saudi Arabia's ambitious plan to reduce its dependence on oil. Vision 2030 is based on three pillars: a vibrant society, a thriving economy and an ambitious nation. The country's economic conditions have improved since 2019G due to new investments and the Government's reform efforts to increase domestic expenditure in the country and the growing volume of foreign investments. The most important drivers of economic growth and consumer expenditure include:

3-2-3-1-1 The Booming Retail Sector

Over the past decade, the retail sector in the Kingdom of Saudi Arabia has achieved an annual growth rate of more than 10%. This sector has about 1.5 million workers currently, over two-thirds of whom are expatriate workers. Therefore, the Government aims to provide job opportunities to employ one million Saudi nationals in this sector by 2020G. In addition, traditional retail trade still accounts for 50% of the market in the Kingdom of Saudi Arabia, as the retail market is limited in terms of modern trade methods and e-commerce. The goal is to increase modern commerce and e-commerce contributions to 80% of the retail sector by 2030G. This will be achieved by attracting regional and international investors and easing restrictions on ownership and foreign investment.

3-2-3-1-2 A Sophisticated Digital Infrastructure

A sophisticated digital infrastructure is integral to today's advanced industrial activities. The Government plans to partner with the private sector to develop telecommunications and information technology infrastructure, especially high-speed broadband, expand its coverage and capacity within and around cities, and improve its quality. The goal is to develop construction standards to facilitate the expansion of broadband networks, strengthen digital transformation management through a national council, improve regulations and establish an effective partnership with telecom operators to better develop this vital infrastructure. The goal is to support local investments in the telecommunications and information technology sectors.

3-2-3-1-3 Culture and Entertainment Initiatives

There will be significant investments in cultural and entertainment centres. A plan is in place to open 450 new centres for culture and entertainment. The country has recently held many events under the banner of several seasons across the Kingdom of Saudi Arabia's cities, such as the Riyadh Season and Jeddah Season, which include concerts, plays, and many other multicultural events. In addition, the Kingdom of Saudi Arabia has opened cinemas in the country after many decades of prohibition, creating a new influx of entertainment revenue and advertising opportunities. Cinemas are permanent users of outdoor advertising. The increase in other entertainment activities has also led to higher expenditure on outdoor advertising.

3-2-3-1-4 Booming Tourism

Tourism is undoubtedly a major element of any country's economic growth and revenue diversification. The Kingdom of Saudi Arabia introduced tourist visas to encourage this vital sector, which includes activities such as visiting cultural and archaeological sites in the Kingdom of Saudi Arabia and other vital aspects in line with visitors' expectations. A major goal is undoubtedly to have locals spend their money in the country rather than abroad.

3.2.4 Population

The Kingdom of Saudi Arabia is considered a young society, where 20% of the total population is between the ages of 30 and 39 and 35% of is between the ages of 20 and 39. This age group usually accounts for most consumer expenditure, especially expenditure on recreational activities as well as activities that are promoted on the Internet and electronic channels in general.

The following table illustrates the relative distribution of the Kingdom of Saudi Arabia's population by age group.

Table (3-2): The Kingdom of Saudi Arabia - Estimated Population Distribution by Age Group in 2020G

Age Group	% of the Total Population
0-9 years	17.1%
10-19 years	14.0%
20-29 years	15.4%
30-39 years	20.1%
40-49 years	18.4%
50-59 years	9.2%
60-69 years	3.9%
70+ years	1.9%

Source: Frost & Sullivan

3-2-4-1 Challenges

The Kingdom's population in 2020G is estimated to be about 34.81 million people, according to World Bank data. This is a jump of 1.97% compared to an estimated population of 34.14 million in 2019G.

However, there is a large gap between the skills required by the private sector and the skills of Saudi graduates. This gap will remain a challenge to the Saudi economy in the short term until educational outputs are developed to align with labour needs. Many Saudis in the labour market are either unemployed or their qualifications are not suitable for market requirements. This gap and the Kingdom of Saudi Arabia's decisions regarding the cost of employing non-Saudis in various jobs currently pose a challenge to economic growth.

3-2-4-2 Opportunities

Given that the Kingdom of Saudi Arabia's demographic composition largely consists of a young population, there will likely be a new generation of consumers that is knowledgeable about consumption trends at the international level and items marketed via the Internet. This segment also prefers to travel, use digital media, make purchases online and use social media. They are the largest consumers of indoor entertainment (such as cinemas and digital viewing platforms) and outdoor activities (concerts, events, and parks).

3.3 Global Outdoor Advertising Market

Outdoor advertising is an important and essential method for advertising agencies and their clients. A large billboard with an eye-catching appearance will attract consumers' attention better than other mediums. The importance of outdoor advertising is mainly due to it being located in an outdoor environment and the ease of displaying it to a very large number of passers-by.

While an advertisement in a newspaper or magazine can be skipped or ignored, or a commercial break on the TV or Internet can be avoided by switching channels (or even fast-forwarding through DVRs), a large billboard or even a series of Mupi advertisements in malls or Megacom billboards cannot be ignored when people are travelling, walking or shopping.

The unique nature of this advertising method makes it an indispensable choice for all major marketing campaigns and a means for brand-building. It is often the preferred choice for publicising the launch of major campaigns and new ads. This method has managed to survive and compete with other methods because it encompasses several features that are not provided by other advertising mediums.

The year 2020G was fraught with challenges for the outdoor advertising market. The decrease in outdoor advertising expenditure in 2020G is attributed to lower consumer mobility and traffic together with limited international transportation. The sectors that witnessed a significant decrease in advertising expenditure were automotive trade, retail trade, travel and tourism. In 2020G, the global market share for outdoor advertising decreased to 4.75% of the total advertising expenditure. However, it is estimated that it will grow to 5% in 2021G and will continue to grow thereafter.

While advertising expenditure will increase proportionally to the economic recovery, improved business conditions, increased mobility and consumer high morale in 2021G, outdoor advertising, especially digital advertising, will continue to push the advertising market ecosystem forward.

3.3.1 Outdoor Advertising - A Long-Term Medium

With the advent of the Internet, digital media and social media sites (Facebook, Instagram and Twitter) introducing new advertising platforms, traditional mediums used by advertisers have undergone radical change. Most traditional media such as print (magazines and newspapers), television and radio have suffered a decline in their share of advertising revenue in the past decade. Digital media is expected to dominate advertising expenditure in 2021G, accounting for 50% of the market share, with social media, search and video expected to be key factors of this growth.

Meanwhile, the oldest outdoor advertising medium has not been affected by the onslaught of digital technology. Instead, it has thrived and still has a bright future. Through the principle of 'adapt or perish', outdoor advertising has been able to continually adapt to changing circumstances. Outdoor advertising is experiencing a wave of prominence by incorporating digital sophistication into digital outdoor advertising media options. Some outdoor media sites can display changing videos and images in a loop with a mechanism that enables consumers to express opinions and make automated purchases without human intervention.

3.3.2 Outdoor Advertising Expenditure as a Share of Global Advertising Expenditure

The following table details total global advertising expenditure on various media and the resulting growth rate on an annual basis from 2013G to 2020G:

Table (3-3): Global Advertising Expenditure by Media (2013G-2020G)

Advertising Media	2013G SAR Million	2014G SAR Million	2015G SAR Million	2016G SAR Million	2017G SAR Million	2018G SAR Million	2019G SAR Million	2020G SAR Million
Television	738,667	759,484	760,121	786,108	781,192	779,819	774,828	674,875
Newspapers	270,807	256,647	235,731	214,334	194,891	179,642	159,486	120,795
Magazines	147,120	142,195	134,362	132,064	122,403	112,707	101,324	79,350
Radio	125,609	129,061	128,513	134,121	135,195	139,481	138,728	118,077
Cinema	9,092	10,857	11,549	12,773	13,671	14,537	15,909	6,354
Outdoor Advertising	115,740	113,102	123,696	126,979	129,045	135,891	139,723	104,150
Digital Media	385,531	464,911	555,433	650,363	755,608	869,065	1,032,101	1,088,248
Total Advertising Expenditure	1,792,566	1,876,257	1,949,405	2,056,742	2,132,005	2,231,142	2,362,099	2,191,849

Source: Frost & Sullivan

According to the above table, global outdoor advertising expenditure was about SAR 139,723 million in 2019G, with a CAGR of 3.2% from 2013G-2019G. Apart from digital advertising, which is growing rapidly, expenditure in the outdoor advertising sector has continuously increased during this period compared to the growth of other advertising media sectors. As a result of the COVID-19 pandemic, it is estimated that this sector has witnessed a significant decrease in expenditure, as it decreased by approximately 25.5% to SAR 104,150 million by 2020G due to the effects of the shutdown and the significant drop in the movement of persons.

Notwithstanding digitisation, which is growing rapidly, spending on the outdoor advertising sector has grown at a fairly steady rate during the period from 2013G to 2020G compared to the growth of other advertising media sectors.

In general, it is expected that brands will benefit from outdoor advertising media through customised offers, targeted messages and services designed specifically to influence the target audiences. The key factors of success and successful expenditure in outdoor advertising for any brand depend on understanding consumers' changing expectations and reorienting the brand's perception of consumers' changing values and behaviours.

The following table measures annual advertising expenditure growth rates for various media from 2013G–2020G.

Table (3-4): Annual Growth - Global Advertising Expenditure Across Various Media (2013G-2020G)

Advertising Media	2013G Annual Growth %	2014G Annual Growth %	2015G Annual Growth %	2016G Annual Growth %	2017G Annual Growth %	2018G Annual Growth %	2019G Annual Growth %	2020G Annual Growth %
Television	2.57%	2.82%	0.08%	3.42%	(0.63%)	(0.18%)	(0.64%)	(12.9%)
Newspapers	(4.03%)	(5.23%)	(8.15%)	(9.08%)	(9.07%)	(7.82%)	(11.22%)	(24.26%)
Magazines	(2.32%)	(3.35%)	(5.51%)	(1.71%)	(7.32%)	(7.92%)	(10.10%)	(21.69%)
Radio	3.65%	2.75%	(0.42%)	4.36%	0.80%	3.17%	(0.54%)	(14.89%)
Cinema	(12.46%)	19.41%	6.37%	10.60%	7.03%	6.34%	9.44%	(60.06%)
Outdoor Advertising	(0.21%)	(2.28%)	9.37%	2.65%	1.63%	5.31%	2.82%	(25.46%)
Digital Media	16.60%	20.59%	19.47%	17.09%	16.18%	15.02%	18.76%	05.44%
Total Advertising Expenditure	**3.55%**	**4.67%**	**3.90%**	**5.51%**	**3.66%**	**4.65%**	**5.87%**	**(7.21%)**

Source: Frost & Sullivan

According to the statistics, the fastest growing advertising medium is digital media. The fastest decline was also recorded in the print media (newspapers and magazines). It can be inferred that the share of outdoor advertising has exhibited fairly steady growth over the past five years compared to the diminishing growth rates in sectors such as television, newspapers and magazines. Although outdoor advertising expenditure has decreased dramatically compared to other media during 2020G, this sector is also expected to recover significantly by 2021G.

3.3.3 Key Trends in the Global Outdoor Advertising Market

A major development in the media market is the rapid conversion to and adoption of digital media options for outdoor advertising. These digital media options for outdoor advertising are growing at a much faster rate than traditional outdoor advertising media. It is expected to continue to drive global expenditure on outdoor advertising in the short term. Globally, there is enormous potential in strategically placed digital outdoor advertising sites, especially within indoor spaces such as malls, gyms and retail stores. As such, digital outdoor advertising expenditure will be the driving force behind the growth of the outdoor advertising business in the future.

In some developed advertising markets such as the UK and Australia, the share of digital outdoor advertising as a percentage of outdoor advertising is already more than 40%. According to specialists' expectations, the growth of digital outdoor advertising expenditure is likely to exceed two to three times the growth in traditional outdoor advertising. Some of the main drivers of the growth of digital outdoor advertising worldwide are the general drop in the cost of digital screens, the development of automated advertising software and the integration of technologies such as the Internet of Things into digital outdoor advertising.

One of the major factors driving the growth of the outdoor advertising sector around the world is advertisers' shift from traditional static outdoor media to digital outdoor advertising media by digitising existing static sites. The effectiveness of digital outdoor advertising can be assessed through key performance indicators such as traffic patterns, weather, special occasions, changes in time of day and an overall ROI measure. Digital outdoor advertising media can also measure the total number of people who have passed by billboards during certain times and so on.

Table (3-5): Global Expenditure on Outdoor Advertising and Digital Outdoor Advertising (2013G-2020G)

Gregorian Year	Global Expenditure on Outdoor Advertising SAR Million	Annual Growth Rate of Outdoor Advertising (%)	Global Expenditure on Digital Outdoor Advertising SAR Million	Annual Growth Rate of Digital Outdoor Advertising (%)
2013G	115,740	-	11,060	-
2014G	113,102	(2.3%)	11,876	7.4%
2015G	123,696	9.4%	14,716	23.9%
2016G	126,979	2.7%	17,565	19.4%
2017G	129,045	1.6%	19,142	9.0%
2018G	135,891	5.3%	22,252	16.2%
2019G	139,723	2.8%	27,673	24.4%
2020G	104,150	(25.50%)	22,785	(17.70%)

Source: Frost & Sullivan and the Company

As shown in the table above, digital outdoor advertising expenditure has been growing at a higher rate compared to overall expenditure on outdoor advertising media over the past years.

Most outdoor billboards account for the most expenditure on digital outdoor advertising media, and have the majority of the total market share of the global outdoor advertising market by type of advertising site. However, this sector is expected to gradually decline, as most expenditure over the next few years is expected to be made on the public transportation and roadside furniture sectors, which are growth/expenditure attractive sectors. It is also a low rental option for advertisers.

Globally, the widespread adoption of 5G technology is also driving expenditure on digital programmable outdoor advertising. This trend is expected to drive the growth of the global outdoor advertising market. For example, 5G technology will allow greater coordination between mobile site services and digital outdoor advertising. Relying on cell phone data, messages on digital outdoor advertising media in a mall, neighbourhood or high traffic centres can be used to send people to a theatre or restaurant or inform them of a specific store offer, etc.

Meanwhile, advertisers' willingness to embrace programmed outdoor advertising media along with new developments in artificial intelligence, machine learning and analysis is expected to increase tailored advertising campaigns by targeting specific demographic areas, which in turn will lead to higher ROI and sales.

In light of the foregoing, the Kingdom of Saudi Arabia is well-positioned to increasingly adopt new digital technologies in outdoor advertising, which will lead to sustainable growth in expenditure on digital outdoor advertising in the future.

3.4 The Outdoor Advertising Market in the Kingdom of Saudi Arabia

The performance of the Saudi advertising market is closely related to the economic outlook for the Kingdom of Saudi Arabia. However, outdoor advertising expenditure was unpredictable and inconsistent with the usual pattern. Compared to global growth trends, the rise in outdoor advertising expenditure in the Kingdom of Saudi Arabia was volatile. Over the past five years, the outdoor advertising market in the Kingdom of Saudi Arabia witnessed an initial decline, followed by a gradual recovery in 2018G and 2019G. A significant decrease in revenue was again seen in 2020G as shown in the table below.

Table (3-6): Advertising Expenditure and Outdoor Advertising Expenditure in the Kingdom of Saudi Arabia (2015G-2020G)

Gregorian Year	Indoor and Outdoor Advertising Expenditure SAR Million	Annual Growth Rate of Advertising Expenditure (%)	Outdoor Advertising Expenditure SAR Million	Annual Growth Rate of Outdoor Advertising Expenditure (%)
2015G	3,863	-	1,132	-
2016G	3,335	(13.7%)	1,068	(5.7%)
2017G	2,994	(10.2%)	959	(10.2%)
2018G	2,836	(5.3%)	974	(1.6%)
2019G	2,611	(7.9%)	1,197	(22.9%)
2020G	2,170	(16.9%)	789	(33.3%)

Source: Frost & Sullivan

Advertising expenditure in the Kingdom of Saudi Arabia has been slow, with negative growth of 10.2% and 5.3% in 2016-2017G and 2017-2018G, respectively. During the same time period, Saudi expenditure on outdoor advertising witnessed negative growth of 10.2% in 2016-2017G, followed by positive growth of 1.6% in 2017-2018G. Accordingly, it should be noted that despite the recession and the consequential declines in advertising expenditure in 2016G-2018G, outdoor advertising expenditure in the Kingdom of Saudi Arabia gradually recovered by 2018G, which reinforces growing expenditure on outdoor advertising. It also supports the idea that outdoor advertising is the advertisers' preferred medium and confirms that outdoor advertising is primarily affected by economic cycle and expenditure trends. However, it is not affected by competition from other available advertising channels. Other factors contributing to this growth include government expenditure on outdoor advertising and benefits from the digitisation of many indoor sites in the region.

3.4.1 Market Overview

Statistics show a fluctuating trend. Due to the decrease in advertising expenditure during 2016G-2017G, this trend was reflected in outdoor advertising, which decreased by 10.2%. The decrease in advertising expenditure was due to a sharp downturn in the Kingdom of Saudi Arabia's economy during 2016G-2017G, prior to the recovery in 2018G. Nonetheless, the sudden drop of oil prices at the end of 2018G changed the course of the recovery. Given the fluctuating situation, the Kingdom of Saudi Arabia decided to develop a detailed plan to reduce dependence on oil revenues and invest in various sectors in the next ten years. This positive step resulted in a jump in outdoor advertising expenditure during 2019G. With the gradual easing of the lockdown restrictions due to the COVID-19 pandemic and the resumption of activities to achieve the Kingdom's Vision 2030 initiatives, it is expected that outdoor advertising expenditure in the Kingdom of Saudi Arabia will gradually recover to reach about SAR 1.345 million 2025G.

3.4.2 The Recent Boom and Growth in Saudi Expenditure on Outdoor Advertising

The outdoor advertising market in the Kingdom of Saudi Arabia showed a promising start during 2017G-2018G, with a marginal growth rate of 1.6%. Then the market displayed a big boom in outdoor advertising expenditure during 2018G-2019G, with a growth rate of 22.9%. This is due to the digitisation of most sites throughout the Kingdom of Saudi Arabia during this period, in addition to a significant increase in government expenditure on outdoor advertising during 2019G. Concentrating on infrastructure development together with the government's multi-channel focus are expected to fuel the outdoor advertising market and achieve stable growth.

3.4.3 Decrease in Outdoor Advertising Expenditures in the Kingdom of Saudi Arabia

It is important to note that the outdoor advertising market was significantly affected during 2020G due to the COVID-19 pandemic and lockdown restrictions in many outdoor spaces including malls. Outdoor advertising and cinema sectors throughout Saudi Arabia were expected to decline significantly compared to other sectors. However, even though outdoor advertising expenditure in the Kingdom decreased by about 33.3% during the period from 2019G to 2020G, the market is expected to show significant growth over the next few years as restrictions are eased and total advertising expenditure is expected to recover and show growth as a result of several long-term growth initiatives undertaken by the Government.

3.4.4 Past Demand Drivers for Outdoor Advertising Expenditure in the Kingdom of Saudi Arabia

Some of the factors that have contributed to the growth of the outdoor advertising market in the Kingdom of Saudi Arabia over the past six years are as follows:

- A large portion of outdoor advertising expenditure from 2014G-2016G was driven by the telecommunications sector and the electronics sector. Advertisers such as STC, Mobily and Zain accounted for most expenditure during this period. However, from 2017G onwards, these telecom companies shifted nearly 60% of their advertising expenditure to digital media and social media sites due to the prevalence of these new media.
- In the past, numerous cultural barriers restricted the growth of outdoor advertising expenditure to certain sectors, such as telecommunications, automotive, retail, food and beverages, restaurants and hospitality. However, since 2018G, most of the expenditure on outdoor advertising has been made by government entities such as the Ministry of Health, the Ministry of Energy and others. Some other private sector advertisements contributed to the higher expenditure on outdoor advertising during this period, including the restaurant, hospitality and food and beverages sectors.
- There was also a remarkable trend of software providers and global manufacturers establishing strategic partnerships with local outdoor advertising providers in the Kingdom of Saudi Arabia to implement large-scale projects that require the creation and digitisation of outdoor advertising sites. Examples can be found in both indoor advertising, especially the banking sector, and outdoor advertising, where local stakeholders collaborate with international stakeholders such as Broadsign and Daktronics to digitise existing indoor advertising media and install new digital indoor advertising sites.
- The growth in the Kingdom of Saudi Arabia outdoor advertising market was due to the establishment of several outdoor and indoor sites with Megacom billboards, Mupi billboards, and Super Structures. In particular, Megacom billboards are high income generators that have supported market growth. While there were limited installations of these billboards, the digitisation of these sites has opened up multiple sources of revenue from various advertisements, increasing market volume as a whole.
- In indoor sites, there has been an increasing trend towards digitisation of Mupi billboards and other advertising media in outdoor advertising sites in malls and retail stores, which has supported the significant increase in expenditure on outdoor advertising over the past year.
- In 2019G, the entertainment sector, consumer electronics and apps accounted for nearly 30% of outdoor advertising expenditure, followed by the government and then the consumer goods, restaurant and hospitality sector with 21% and 17% of outdoor advertising expenditure, respectively. The telecommunication sector accounted for 13% of expenditure. Many companies have reallocated their advertising budgets from digital and social media towards expenditure on outdoor and indoor advertising spaces in malls.

3.4.5 Advertiser's Perspective: Sharing Consumer Thoughts

There is a high level of consumer confidence in the outdoor advertising sector, making it the preferred advertising medium for advertisers. Confidence, especially in digital variants that include compelling animations and videos, adds significantly to the outdoor advertising sector. All of these factors ensure a high rate of client engagement and client retention.

3.4.6 Salient Features of the Kingdom of Saudi Arabia Outdoor Advertising Market

Advertising agencies or media buyers associated with main clients or agencies account for 75-80% of outdoor advertising media purchases. The Kingdom of Saudi Arabia outdoor advertising sector is undergoing a wave of integration through affiliations and alliances as well as product differentiation via specialisation.

The outdoor advertising market in the Kingdom of Saudi Arabia is currently in the growth stage. This market consists of six local entities and one international entity, with a market share of 95% or higher. Al Arabia accounts for about 65.8% based on outdoor advertising revenues in 2019G, which represented about 34.4% of total advertising expenditure in the Kingdom. As of 2020G, the outdoor advertising market in the Kingdom of Saudi Arabia broadly consists of four local entities and one international entity constituting a market share of 97% or more. Based on outdoor advertising revenues during 2020G, Al Arabia accounts for about 62.3% thereof. In fact, these companies have long experience and massive, reliable inventory for both indoor and outdoor sites.

Outdoor advertising sites across the Kingdom of Saudi Arabia are broadly classified into three main product-based categories: Mupi and Megacom billboards, Super Structures, and LED billboards for indoor and outdoor applications. Other less popular advertising sites fall under the 'other' category.

3.4.7 Current Distribution of the Kingdom of Saudi Arabia Outdoor Advertising Market by Application Sector

3-4-7-1 Classification of Kingdom of Saudi Arabia Outdoor Advertising by Application Sector: Indoor vs. Outdoor

According to current estimates, there were about 12,002 total outdoor advertising sites across the Kingdom of Saudi Arabia in 2020G representing a total of 38,053 advertising faces. The following table illustrates the distribution of these sites across indoor spaces such as shopping centres, gyms, cafes, hotels, buildings, indoor areas at airports, etc. In contrast, outdoor spaces include streets, highways, parks, outdoor airport facades, etc.

Table (3-7): Distribution of Outdoor and Indoor Sites in the Kingdom of Saudi Arabia (2019G and 2020G)

Type of Site	% of Total Outdoor and Indoor Sites 2019G	% of Total Outdoor and Indoor Sites 2020G
Outdoor Sites	70%	61%
Indoor Sites	30%	39%

Source: Frost & Sullivan

Outdoor sites are those located on roadsides, while indoor sites are the sites of indoor billboards, such as those found in commercial centres, malls, etc.

The majority of indoor sites consist of information panels, in addition to other sites that may include, but are not limited to, a combination of flyers, banners and posters. In contrast, most outdoor sites consist of Megacom billboards, Super Structures, LED billboards and Mupi billboards. Some less popular outdoor sites also consist of other unclassified sites.

3-4-7-2 Classification of Kingdom of Saudi Arabia Outdoor Media by Application Sector: Outdoor (Digital vs Static)

About 36% of 20,548 roadside outdoor advertising sites are digital sites. The following table illustrates the distribution of outdoor advertising sites across the Kingdom of Saudi Arabia by digital vs. static sites.

Table (3-8): Rate of Distribution of Digital vs. Static Outdoor Sites in the Kingdom of Saudi Arabia (2019G and 2020G)

Advertisement Category	% of Total Outdoor Sites 2019G	% of Total Outdoor Sites 2020G
Digital	30%	36%
Static	70%	64%

Source: Frost & Sullivan

3-4-7-3 Classification of Kingdom of Saudi Arabia Indoor Advertising Inventory by Application Sector: Indoor (Digital vs Static)

About 95% of 17,505 roadside indoor advertising sites are digital sites. The following table illustrates the distribution of indoor advertising sites across the Kingdom of Saudi Arabia by digital vs. static sites.

Table (3-9): Rate of Distribution of Digital vs. Static Indoor Sites in the Kingdom of Saudi Arabia (2019G and 2020G)

Advertisement Category	% of Total Indoor Sites 2019G	% of Total Indoor Sites 2020G
Digital	85%	95%
Static	15%	5%

Source: Frost & Sullivan

3.4.8 Current Distribution of the Kingdom of Saudi Arabia Outdoor Advertising Market by Product Sectors that Support Growth

In 2019G, outdoor advertising expenditure increased in the mall sector and in indoor spaces as a result of digitisation. Previously, information bulletins in malls were largely digitised and integrated with smart technologies. Other indoor sites that are experiencing major infiltration in outdoor advertising include gyms and cafes. Outdoor advertising service providers sign exclusive contracts with some of these facilities.

Due to the COVID-19 pandemic, it is anticipated that Mupi billboard inventory inside malls and other indoor locations has decreased by nearly 20%, due to the significant drop in the number of visitors causing a decrease in the revenues generated by these locations. However, it is estimated that the drive towards digitisation in this sector has resulted in an increase in the total number of Mupi digital faces compared to fixed ones in 2020G.

Within roadside outdoor advertising, the digitisation of large numbers of Megacom billboards has led to higher revenues, as these digital outdoor media sites can generate significantly higher revenues compared to static sites. Despite the COVID-19 pandemic, it is estimated that the digital transformation of many Megacom, super structure and LED billboards will continue through 2020G.

The following table details the approximate percentages of all outdoor advertising sites in the Kingdom of Saudi Arabia, estimated at 12,002 sites, across application by type of installed structure.

Table (3-10): Advertising Inventory Distribution by Type in the Kingdom of Saudi Arabia (2019G and 2020G)

Advertising Type	% of Total Inventory 2019G	% of Total Inventory 2020G
Mupi Billboards	56%	62%
Megacom Billboards	16%	17%
Super Structures and LED Billboards	6%	9%
Other Billboards	22%	12%

Source: Frost & Sullivan

3-4-8-1 Product Categories - Overview

3-4-8-1-1 Mupi Billboards

Internally lit, double-sided billboards, with each side measuring 1.2m x 1.8m, usually placed at traffic lights on main streets and on sidewalks.

The total number of Mupi billboards constitutes about 62% of the total outdoor advertisements in the Kingdom, despite the significant decrease in their inventory due to the COVID-19 pandemic. These sites continue to dominate the market due to a wide network of inventory via indoor and outdoor sites by companies like Al Arabia, Saudisigns and Wave Media. Another reason for the increase in the market share of Mupi billboards throughout the Kingdom of Saudi Arabia is the significant decrease in the number of other unclassified billboard sites. While Mupi billboards account for the biggest share of the inventory, though their revenue share deviates from other formats due to their smaller size and lower rental price compared to larger billboards. Mupi billboards have high levels of distribution, especially in indoor spaces such as malls, retail stores and gyms. Since the advertisers who rent these spaces are proactively looking for ways to optimise their advertising campaigns, these sites are increasingly digitised and integrated with smart technologies to effectively target consumer segments.

3-4-8-1-2 Megacom Billboards

Internally lit double-sided billboards, with each side measuring 3m x 4m, fixed on a steel post. This type of billboard has become common in vibrant areas of target neighbourhoods to communicate the marketed message to residents and visitors.

Megacom billboards account for about 17% of all outdoor advertisements across the Kingdom of Saudi Arabia. However, they are relatively higher in price, generating greater revenue flows for the Company. They are considered one of the most attractive types of outdoor advertising and have a strong impact due to their presence in prime locations. Despite the decrease in the total number of Megacom billboards throughout the Kingdom of Saudi Arabia in 2020G due to the Covid-19 pandemic, this sector is significantly digitised, especially inside major cities. It is expected to contribute significantly to total outdoor advertising sector expenditure over the next few years.

3-4-8-1-3 Large Format Billboards & LED Screens

Large Format Billboard sites consist of a group of backlit Mezahbol billboards, digital Mezahbol billboards, Al Arabia gate billboards, Super Structures, Super Mega Tower backlit billboards and Super Mega Tower digital billboards. Almost all of these sites are located in outdoor spaces and are generally of high value with exorbitant rental rates.

LED billboards are digital screens of various sizes, including 3m x 4m and 5m x 10m, used predominantly in vibrant areas. These billboards are considered one of the most suitable media for intensive promotional campaigns, and are preferred by several sectors, including banking, real estate, automotive, etc. They are also used in trademark advertising.

Large Format Billboards & LED screens together account for nearly 9% of all outdoor advertising across Saudi Arabia.

Large format billboards have generally seen an increase in high-traffic public streets and across spaces outside large shopping centres. Despite the impact of the Covid-19 pandemic in 2020G, thanks to their large size, Large Format Billboards offer great potential for revenue growth over the next few years given their high rental rates and considerable scope for digitisation.

LED screens consist of digital screens and banners of all sizes that are mostly used in outdoor applications such as petrol stations and other street sites. However, some of these screens can also be seen in indoor applications such as malls and gyms. These screens have a variable rental rate that is determined by differences in size and site specifications. With the decline of the Covid-19 pandemic, there is great growth potential for these screens over the next few years as a result of developments in infrastructure through indoor and outdoor advertisements and the integration of smart technologies.

3-4-8-1-4 Other Types of Advertisements

There are several unclassified types of outdoor advertisements consisting of small sites, such as Megapost and light post billboards as well as a range of other types which may include, but are not limited to, bus billboards, scaffolding screens placed on high-rise buildings, and indoor and outdoor static ads such as flyers, posters and banners and a host of other large and small types. These ads may be in both outdoor and indoor spaces as well as in airports.

These types account for approximately 12% of all outdoor advertising in Saudi Arabia. However, they form a small share of the market revenue due to their smaller dimensions compared to other types, such as Mupi, Megacom and LED billboards as well as Super Structures.

For example, small megapost and light post ads have nominal revenue compared to other types of ads due to the lower cost and small area of such sites. Both types are very similar to each other in that they are placed on streetlights and/ or other poles and have only slight differences in size specifications. Most of these ads can be found in Dammam and other smaller cities such as Khobar, Al-Ahsa and Taif, which generate significantly less revenue than outdoor advertising in Saudi Arabia compared to major cities. Most of these sites have receded significantly in terms of inventory throughout the Kingdom of Saudi Arabia due to the effects of the pandemic.

3.4.9 Client Expenditure - By Sector

3-4-9-1 Current Projections - Outdoor Advertising Expenditure by Users and Brands

The following table highlights some distribution estimates on outdoor advertising expenditure during 2019G and 2020G by major advertisers.

Table (3-11): Distribution of Outdoor Advertising Expenditure by Major Advertisers in Saudi Arabia (2019G and 2020G)

Advertiser Type	% of Total Expenditures 2019G	% of Total Expenditures 2020G
Government	21%	10%
Consumer Goods, Restaurants and Hotels	17%	21%
Telecom Sector	13%	14%
Entertainment, Consumer Electronics and Apps	30%	12%
Other*	19%	43%

Source: Frost & Sullivan

* Other sectors that are likely to spend on outdoor advertising include banking, financial services as well as food delivery services, and the e-commerce sector

Ad sectors that drive expenditure on outdoor advertising:

- The food, beverage and food delivery services sector is likely to be the largest spender on outdoor advertising in 2020G. In this sector, spending has increased due to the increase in advertisements for food delivery services in light of the lockdown measures caused by the COVID-19 pandemic in 2020G.
- The entertainment, consumer electronics and apps sector was recorded as the largest spender on outdoor advertising media at 30% in 2019G, while it witnessed a significant decline in 2020G, reaching 12% of outdoor advertising expenditure.
- The government sector, which accounted for roughly 21% of outdoor advertising expenditure in 2019G, recorded 10% of the total outdoor advertising expenditure in the Kingdom of Saudi Arabia in 2020G.
- Moreover, the consumer goods, restaurant and hotels sector contributed nearly 17% of outdoor advertising expenditure in the Kingdom of Saudi Arabia in 2019G, while it did not have a high share in 2020G as its share of spending accounted for 21% of the total outdoor advertising expenditure.
- The telecom sector, which previously contributed a large proportion of outdoor advertising expenditure, only holding approximately 13% of the market in 2019G, recorded 14% of the total outdoor advertising expenditure in 2020G in Kingdom of Saudi Arabia.
- In 2020G, other sectors that are likely to spend on outdoor advertising include banking and financial services at 10%, food delivery services at 15%, and e-commerce at 8%, retail and so forth.
- The automotive sector emerged as the main spender on outdoor advertising in 2020G, accounting for 7% of the total spending on outdoor advertising in the Kingdom of Saudi Arabia.

Advertising sectors that exhibit a trend towards reducing outdoor advertising expenditure:

- The automotive sector has gradually reduced its outdoor advertising expenditure over the past year and currently contributes a nominal share of the market.

Advertising sectors that exhibit a trend towards increasing outdoor advertising expenditure:

- The perfume industry is a new segment driving outdoor advertising expenditure in the past year and it may continue to drive expenditure. Luxury products such as high-end perfumes and cosmetic brands will likely benefit from digital outdoor advertising due to the video options.
- The entertainment sector in particular is expected to contribute to increasing outdoor advertising expenditure over the next few years in light of Saudi Vision 2030 initiatives.
- The government has spent heavily on outdoor advertising since 2019G, especially on entertainment, with the aim of promoting tourism and domestic expenditure. Government ministries that drive this expenditure include, for example, the Ministry of Health and the Ministry of Culture.

3.5 Arabian Contracting Services Company

Despite the slowdown in the outdoor advertising sector in Saudi Arabia, Al Arabia is constantly growing. The Company has been able dominate the market and record higher revenues over the last three years. This has resulted in the Company owning higher numbers of Megacom and Mupi billboards.

Performance is enhanced by using digital technologies on sites, alongside strong brand visibility with a wide range of offerings in outdoor and indoor applications, coupled with a year-on-year increase in the number of top-earning outdoor advertising sites such as Megacom and Mupi billboards. Relations with international groups have enabled greater infiltration in the Saudi market and a strong presence of Megacom billboard distribution.

3.5.1 Competitive Analysis Given Revenue and Number of Billboards

The following sections briefly highlight Al Arabia's position as one of the top 16 service providers in the outdoor advertising market by revenue. In 2018G and 2019G. Based on revenues, Al Arabia ranked 14th globally in 2018G and 12th in 2019G. Companies are ranked in descending order from largest to smallest according to revenues in 2019G. New players have emerged in the 16 top-ranked companies such as Ocean (UK), while other companies are no longer in the 15 top-ranked companies, such as Russ Outdoors (Russia).

Table (3-12): The World's Top 16 Outdoor Advertising Companies by Revenue (2018G and 2019G)

Rank	Company	Annual Revenues 2018G SAR Million	Annual Revenues 2019G SAR Million
1.	JCDecaux (France)	16,024	16,331
2.	Clear Channel Outdoor (USA)	10,208	10,065
3.	Outfront Media (USA)	6,008	6,683
4.	Ströer (Germany)	7,009	6,679
5.	Focus Media (China)	8,254	6,611
6.	Lamar (USA)	6,101	6,578
7.	Global Media (UK)	2,329	2,111
8.	oOh!media (Australia)	1,354	1,691
9.	IBG | SGI (Switzerland)	1,159	1,200
10.	Metrobus (France)	1,129	1,144
11.	Intersection (USA)	1,024	1,106
12.	Al Arabia (Kingdom of Saudi Arabia)*	620	788
13.	Clear Media (China)	1,024	784
14.	Asiaray (China)	923	694
15.	Ocean (UK)	263	619
16.	Race Outdoor (Russia)	585	485

Source: Frost & Sullivan

*Revenue from roadside advertising was calculated and Al Arabia printing revenue in 2018G and 2019G was removed.

3.5.2 Analysis of Market Share and Revenue Growth Trends

Al Arabia has significantly increased its revenues over the past three years thanks to the higher number of Megacom and Mupi billboards, thus surpassing the performance of the outdoor advertising sector.

The following table summarises Al Arabia's market share and growth of revenues within the outdoor advertising sector in Saudi Arabia from 2017G to 2020G:

Table (3-13): Al Arabia's Market Share and Revenue Growth in the Kingdom of Saudi Arabia Outdoor Advertising Sector (2017G-2020G)

Gregorian Year	Al Arabia Revenues SAR Million	Al Arabia Market Share (%)	Annual Growth of Al Arabia Revenues (%)
2017G	612,30	63.8%	
2018G	639,16	65.6%	4.4%
2019G	787,50	65.8%	23.2%
2020G	497,59	62.3%	(36.8%)

Source: The Company and Frost & Sullivan

Al Arabia's market share amounted to 63.8%, 65.6%, 65.8% and 62.3% of outdoor advertising expenditure in the Kingdom of Saudi Arabia in 2017G, 2018G, 2019G and 2020G, respectively. The outdoor advertising sector accounted for 32.0%, 34.3%,45.8% and 36.8% of total advertising expenditure in the Kingdom of Saudi Arabia in 2017G, 2018G, 2019G and 2020G, respectively. Al Arabia's market share of total advertising expenditure in the Kingdom of Saudi Arabia is estimated at 20.4%, 22.5%, 30.2% and 22.9% in 2017G, 2018G, 2019G and 2020G, respectively.

According to the estimates in the market report prepared by Frost and Sullivan, the market shares of companies operating in the Kingdom of Saudi Arabia in 2020G accounted for the following percentages of spending on outdoor advertising, which represented 36.8% of total advertising spending in the Kingdom of Saudi Arabia in 2020G:

Rank	Company	Market Share of Outdoor Advertising, including Roadside, Indoor and Airport Advertising in 2020G
1.	Al Arabia (Kingdom of Saudi Arabia)	62.3%
2.	Saudi Sign (Kingdom of Saudi Arabia)	18.8%
3.	Wave Media (Kingdom of Saudi Arabia)	10.3%
4.	JCDecaux (France)	3.8%
5.	Faden Publicity and Advertising (Kingdom of Saudi Arabia)	1.8%
6.	Other companies	3.0%

Source: Frost & Sullivan

3.5.3 Expansion of the Number of Sites

The number of Al Arabia advertising sites throughout the Kingdom of Saudi Arabia increased until 2019G. The total number of its sites decreased by nearly 16% from 2019G to 2020G due to the negative effects of the COVID-19 pandemic. However, it is important to note that compared to the nearly 40% market-wide decline of outdoor advertising inventory as a whole during the same period, the decline witnessed by Al Arabia is relatively less than the overall decrease in the market.

Despite the negative effects of the COVID-19 pandemic, Al Arabia has also succeeded in maintaining its position as the most important player in the outdoor advertising market due to its possession of a large stock of billboards in the Kingdom in general and the city of Riyadh in particular.

Table (3-14): Al Arabia's Total Installed Outdoor Advertising Inventory (2017G- 2020G)

Gregorian year	No.
2017G	14,245
2018G	14,528
2019G	15,088
2020G	12,600

Source: The Company

3.5.4 Customer Spending (by Sector) - 2018G-2020G

The following table illustrates the relative distribution of Al Arabia's revenues by key client segment from 2018G-2020G.

Table (3-15): Contribution to Al Arabia Revenues by Customer Sector (2018G, 2019G and 2020G)

Sector Type	2018G	2019G	2020G
Government and Public Sector	11.0%	21.2%	10.2%
Telecom Sector	11.4%	13.3%	14.1%
Restaurants/QSRs	19.3%	15.9%	17.0%
Banks	7.1%	8.6%	9.7%
Automotive Sector	12.3%	7.6%	6.7%
Electronics	6.1%	4.2%	3.6%
Consumer Goods	7.1%	6.8%	8.1%
Dairy	5.9%	3.5%	3.9%
E-Commerce	3.7%	4.7%	8.5%
Fashion, Jewellery and Perfumes	3.8%	5.4%	4.1%
Furniture	1.9%	1.4%	1.3%
Other	10.4%	7.4%	12.8%

Source: The Company

As set out in the table above, a large proportion of Al Arabia's revenues was driven by the government sector during 2019G due to the Kingdom's Vision 2030 initiatives and the resulting increase in spending on public events and conferences. However, due to the nationwide lockdown measures, spending in this sector decreased significantly during 2020G. As the economy recovers and restrictions are eased, outdoor advertising spending by the government sector is expected to rebound and drive growth over the next few years in light of the initiatives being taken to boost domestic spending within Saudi Arabia.

Despite the effects of the pandemic, sectors that remained strong and continued to drive a large share of Al Arabia's revenues during 2020G include restaurants/fast food and the telecom sector.

Other client segments that also contributed to Al Arabia's revenue growth in 2020G include banking, consumer goods and e-commerce.

3.5.5 Al Arabia's Strengths as a Leading Service Provider

Al Arabia has the highest market share in Saudi Arabia in terms of both revenue and established outdoor advertising inventory. The Company is ahead of competitors in offering value-added, digitally supported outdoor advertising sites.

Distribution Network and Strong Presence in Major Cities

Notwithstanding its primary position in the market and in major cities such as Riyadh, Jeddah and Dammam, Al Arabia also has the highest presence of established outdoor advertising inventory across Saudi Arabia. Al Arabia takes pride in having approximately 4,942 advertising sites in 9 main regions in Saudi Arabia, allowing it to establish a strong footprint within the market and gain a reputation as the number one provider in the market for all outdoor advertising needs. The table below illustrates a breakdown of its roadside advertising inventory in Saudi Arabia (number of faces) by major provinces in 2019G and 2020G.

Table (3-16): Al Arabia's Roadside Advertising Inventory (No. of Faces) by Region (2019G–2020G)

Province	No. of Faces 2019G	No. of Faces 2020G
Riyadh	5,774	4,032
Jeddah	3,315	3,194
Dammam/Khobar	1,431	1,434
Southern Province	1,221	1,322
Eastern Province (excluding Dammam and Khobar)	662	682
Qassim	817	667
Madinah	1,155	475
Northern Province	262	400
Mecca	451	394
Total	15,088	12,600

Source: The Company

Al Arabia also offers a full range of solutions that include printing, design, implementation and maintenance. As such, Al Arabia has maintained a history of high credibility and long-standing relationships with a number of clients, municipalities, government agencies and MBUs (Mupi) throughout Saudi Arabia.

4- The Company

4.1 Overview of the Company

The Arabian Contracting Services Company was incorporated as a Saudi Arabian limited liability company in Riyadh under Commercial Register No. 1010048419 on 18/05/1403H (corresponding to 03 March 1983G) with a capital of one million Saudi Riyals (SAR 1,000,000) for the objective of engaging in the business of outdoor advertising, particularly installing and operating outdoor advertising billboards. The Company was converted into a (closed) joint stock company under HE Minister of Commerce Resolution No. 1132 issued on 02/05/1427H (corresponding to 30 May 2006G). Concurrently, the Company's capital was increased from one million Saudi Riyals (SAR 1,000,000) to sixty million Saudi Riyals (SAR 60,000,000) through transferring twenty-three million, nine hundred nine thousand, one hundred three Saudi Riyals (SAR 23,909,103) from the shareholder's accounts receivable and capitalising a sum of thirty-five million, ninety thousand, eight hundred ninety-seven Saudi Riyals (SAR 35,090,897) out of the retained earnings. On 02/12/1429H (corresponding to 30 November 2008G), the Company increased its capital from sixty million Saudi Riyals (SAR 60,000,000) to one hundred fifty million Saudi Riyals (SAR 150,000,000) divided into fifteen million (15,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share through a cash contribution from the shareholders of thirteen million, four hundred thousand Saudi Riyals (SAR 13,400,000), capitalisation of sixty-nine million, eight hundred eighty-five thousand, five hundred eighty-two Saudi Riyals (SAR 69,885,582) out of the retained earnings, and the transfer of six million, seven hundred fourteen thousand, four hundred eighteen Saudi Riyals (SAR 6,714,418) from the balance of the statutory reserve. On 22/06/1433H (13 May 2012G), the Company increased its capital from one hundred fifty million Saudi Riyals (SAR 150,000,000) to two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share through capitalisation of forty-four million, four hundred sixty-four thousand, nine hundred sixty-six Saudi Riyals (SAR 44,464,966) from the retained earnings and fifteen million, five hundred thirty-five thousand, thirty-four Saudi Riyals (SAR 15,535,034) from the balance of the statutory reserve. On 21/06/1435H (corresponding to 21 April 2014G), the Company increased its capital from two hundred ten million Saudi Riyals (SAR 210,000,000) to five hundred fifty million Saudi Riyals (SAR 550,000,000) divided into fifty-five million (55,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through capitalisation of three hundred one million, forty-six thousand, six hundred forty-five Saudi Riyals (SAR 301,046,645) from the retained earnings and thirty-eight million, nine hundred fifty-three thousand, three hundred fifty-five Saudi Riyals (SAR 38,953,355) from the balance of the statutory reserve. On 27/03/1440H (corresponding to 12 May 2018G), due to the capital being in excess of the Company's needs, it was decreased from five hundred fifty million Saudi Riyals (SAR 550,000,000) to two hundred fifty million Saudi Riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. On 01/04/1441H (corresponding to 28 November 2019G), the Company increased its capital to meet its future expansion needs from two hundred fifty million Saudi Riyals (SAR 250,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalisation of one hundred seventy-five million Saudi Riyals (SAR 175,000,000) from the retained earnings and seventy-five million Saudi Riyals (75,000,000) from the balance of the statutory reserve.

The Company's head office is located in Olaya Towers, Olaya District, Riyadh. The Company owns Al Arabia Out of Home Advertising Company, a wholly owned subsidiary in the United Arab Emirates. There are also Company branches in Jeddah and Riyadh through which the Company conducts its various activities in the sectors mentioned below.

The Company's main activity is in the Kingdom of Saudi Arabia outdoor advertising sector. It started operating in this sector about thirty-five years ago. The Company is currently considered the frontrunner of companies operating in this sector in the Kingdom of Saudi Arabia in terms of market share and revenue. The Company's business includes installing, operating and maintaining outdoor advertising billboards, specifically for roadside advertising and indoor advertising.

4.2 Development of the Company's Capital and Ownership Structure

The Arabian Contracting Services Company was incorporated by Abdelellah Abdulrahman Alkhereiji and Adnan Thogan Abu Aiyash as a Saudi limited liability company in Riyadh under Commercial Register No. 1010048419 dated 18/05/1403H (corresponding to 3 March 1983G) with a capital of one million Saudi Riyals (SAR 1,000,000) divided into one thousand (1,000) cash shares at a nominal value of one thousand Saudi Riyals (SAR 1,000) per share. Upon the Company's incorporation, its shares were allocated as follows:

Table (4-1): Company's Ownership Structure upon Incorporation:

Name	Cash Shares	Value per Share	Total Value of Shares (SAR)	Ownership (%)
Adnan Thogan Abu Aiyash	750	1,000	750,000	75%
Abdelellah Abdulrahman Alk-hereiji	250	1,000	250,000	25%
Total	**1,000**	**-**	**1,000,000**	**100%**

Source: The Company

On 28/10/1406H (corresponding to 05 July 1986G), Abdelellah Abdulrahman Alkhereiji sold one hundred fifty (150) of his Company shares to Adnan Thogan Abu Aiyash. The following table illustrates the Company's ownership structure following the above-mentioned sale:

Table (4-2): The Company's Ownership Structure as at 28/10/1406H (corresponding to 05 July 1986G)

Name	Cash Shares	Value per Share	Total Value of Shares (SAR)	Ownership (%)
Adnan Thogan Abu Aiyash	900	1,000	900,000	90%
Abdelellah Abdulrahman Alk-hereiji	100	1,000	100,000	10%
Total	**1,000**	**-**	**1,000,000**	**100%**

Source: The Company

On 07/01/1420H (corresponding to 24 April 1999G), Adnan Thogan Abu Aiyash sold all of his shares in the Company, amounting to nine hundred (900) shares (representing 90% of the Company's capital), of which four hundred (400) shares were sold to Abdelellah Abdulrahman Alkhereiji and five hundred (500) to Abdel Mohsen Abdulrahman Alkhereiji, who became a new shareholder in the Company. The following table illustrates the Company's ownership structure following the above-mentioned sale:

Table (4-3): The Company's Ownership Structure as at 07/01/1420H (corresponding to 24 April 1999G)

Name	Cash Shares	Value per Share	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alk-hereiji	500	1,000	500,000	50%
Abdel Mohsen Abdulrahman Alkhereiji	500	1,000	500,000	50%
Total	**1,000**	**-**	**1,000,000**	**100%**

Source: The Company

On 12/11/1423H (corresponding to 15 January 2003G), Abdel Mohsen Abdulrahman Alkhereiji sold all of his shares in the Company, amounting to five hundred (500) shares (representing 50% of the Company's capital), of which four hundred (400) shares were sold to Abdelellah Abdulrahman Alkhereiji and one hundred (100) to Muhammad Abdelellah Alkhereiji, who became a new shareholder in the Company. The following table illustrates the Company's ownership structure following the above-mentioned sale:

Table (4-4): The Company's Ownership Structure as at 12/11/1423H (corresponding to 15 January 2003G)

Name	Cash Shares	Value per Share	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alk-hereiji	900	1,000	900,000	90%
Muhammad Abdelellah Alk-hereiji	100	1,000	100,000	10%
Total	**1,000**	**-**	**1,000,000**	**100%**

Source: The Company

On 02/09/1426H (corresponding to 05 October 2005G), the shareholders in Al Arabia agreed to merge Al Arabia for Al-Rawiyya Presses (a Saudi limited liability company), which was owned by both Abdelellah Abdulrahman Alkhereiji and Muhammad Abdelellah Alkhereiji, (as the merged company) with its assets, rights, liabilities and obligations with Al Arabia (as the merging company). The Company was converted into a closed joint stock company under HE Minister of Commerce Resolution No. 1132 issued on 02/05/1427H (corresponding to 30 May 2006G). As part of the conversion, six (6) new shareholders entered the Company, and the Company's capital was increased from one million Saudi Riyals (SAR 1,000,000) to sixty million Saudi Riyals (SAR 60,000,000) divided into six million (6,000,000) shares with a nominal value of ten Saudi Riyals (SAR 10) per share through transferring a sum of twenty-three million, nine hundred nine thousand, one hundred three Saudi Riyals (SAR 23,909,103) from the shareholder's accounts receivable and capitalising a sum of thirty-five million, nine hundred thousand, eight hundred ninety-seven Saudi Riyals (SAR 35,090,897) out of the retained earnings. The following table illustrates the Company's ownership structure after the conversion:

Table (4-5): The Company's Ownership Structure as at 02/05/1427H (corresponding to 30 May 2006G)

Name	No. of Shares	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alkhereiji	4,920,000	49,200,000	82%
Muhammad Abdelellah Alkhereiji	240,000	2,400,000	4%
Abdulrahman Abdelellah Alkhereiji	240,000	2,400,000	4%
Amal Abdullah Aljaawaini	120,000	1,200,000	2%
Fatima Abdelellah Alkhereiji	120,000	1,200,000	2%
Adwaa Abdul Ilah Al-Khereiji	120,000	1,200,000	2%
Anoud Abdelellah Alkhereiji	120,000	1,200,000	2%
Yara Abdelellah Alkhereiji	120,000	1,200,000	2%
Total	**6,000,000**	**60,000,000**	**100%**

Source: The Company

On 02/12/1429H (corresponding to 30 November 2008G), the Company increased its capital from sixty million Saudi Riyals (SAR 60,000,000) to one hundred fifty million Saudi Riyals (SAR 150,000,000) divided into fifteen million (15,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share through capitalising sixty-nine million, eight hundred eighty-five thousand, five hundred eighty-two Saudi Riyals (SAR 69,885,582) from the retained earnings, transferring six million, seven hundred fourteen thousand, four hundred eighteen Saudi Riyals (SAR 6,714,418) from the balance of the statutory reserve, and a cash contribution from the shareholders of thirteen million, four hundred thousand Saudi Riyals (SAR 13,400,000). The following table illustrates the Company's ownership structure following the above-mentioned capital increase:

Table (4-6): The Company's Ownership Structure as at 02/12/1429H (corresponding to 30 November 2008G)

Name	No. of Shares	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alkhereiji	12,300,000	123,000,000	82%
Muhammad Abdelellah Alkhereiji	600,000	6,000,000	4%
Abdulrahman Abdelellah Alkhereiji	600,000	6,000,000	4%
Amal Abdullah Aljaawaini	300,000	3,000,000	2%
Fatima Abdelellah Alkhereiji	300,000	3,000,000	2%
Adwaa Abdul Ilah Al-Khereiji	300,000	3,000,000	2%
Anoud Abdelellah Alkhereiji	300,000	3,000,000	2%
Yara Abdelellah Alkhereiji	300,000	3,000,000	2%
Total	**15,000,000**	**150,000,000**	**100%**

Source: The Company

On 22/06/1433H (13 May 2012G), the Company increased its capital from one hundred fifty million Saudi Riyals (SAR 150,000,000) to two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share through capitalisation of forty-four million, four hundred sixty-four thousand, nine hundred sixty-six Saudi Riyals (SAR 44,464,966) from the retained earnings and fifteen million, five hundred thirty-five thousand, thirty-four Saudi Riyals (SAR 15,535,034) from the balance of the statutory reserve. The following table illustrates the Company's ownership structure following the above-mentioned capital increase:

Table (4-7): The Company's Ownership Structure as at 22/06/1433H (corresponding to 13 May 2012G)

Name	No. of Shares	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alkhereiji	17,220,000	172,200,000	82%
Muhammad Abdelellah Alkhereiji	840,000	8,400,000	4%
Abdulrahman Abdelellah Alkhereiji	840,000	8,400,000	4%
Amal Abdullah Aljaawaini	420,000	4,200,000	2%
Fatima Abdelellah Alkhereiji	420,000	4,200,000	2%
Adwaa Abdul Ilah Al-Khereiji	420,000	4,200,000	2%
Anoud Abdelellah Alkhereiji	420,000	4,200,000	2%
Yara Abdelellah Alkhereiji	420,000	4,200,000	2%
Total	**21,000,000**	**210,000,000**	**100%**

Source: The Company

On 21/06/1435H (corresponding to 21 April 2014G), the Company increased its capital from two hundred ten million Saudi Riyals (SAR 210,000,000) to five hundred fifty million Saudi Riyals (SAR 550,000,000) divided into fifty-five million (55,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through capitalisation of three hundred one million, forty-six thousand, six hundred forty-five Saudi Riyals (SAR 301,046,645) from the retained earnings and thirty-eight million, nine hundred fifty-three thousand, three hundred fifty-five Saudi Riyals (SAR 38,953,355) from the balance of the statutory reserve. The following table illustrates the Company's ownership structure following the above-mentioned capital increase:

Table (4-8): The Company's Ownership Structure as at 21/06/1435H (corresponding to 21 April 2014G)

Name	No. of Shares	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alkhereiji	45,100,000	451,000,000	82%
Muhammad Abdelellah Alkhereiji	2,200,000	22,000,000	4%
Abdulrahman Abdelellah Alkhereiji	2,200,000	22,000,000	4%
Amal Abdullah Aljaawaini	1,100,000	11,000,000	2%
Fatima Abdelellah Alkhereiji	1,100,000	11,000,000	2%
Adwaa Abdul Ilah Al-Khereiji	1,100,000	11,000,000	2%
Anoud Abdelellah Alkhereiji	1,100,000	11,000,000	2%
Yara Abdelellah Alkhereiji	1,100,000	11,000,000	2%
Total	**55,000,000**	**550,000,000**	**100%**

Source: The Company

On 27/03/1440H (corresponding to 05 December 2018G), the capital was decreased from five hundred fifty million Saudi Riyals (SAR 550,000,000) to two hundred fifty million Saudi Riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, because it was in excess of the Company's needs. The following table illustrates the Company's ownership structure following the above-mentioned capital decrease:

Table (4-9): The Company's Ownership Structure as at 27/03/1440H (corresponding to 05 December 2018G)

Name	No. of Shares	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alkhereiji	20,500,000	205,000,000	82%
Muhammad Abdelellah Alkhereiji	1,000,000	10,000,000	4%
Abdulrahman Abdelellah Alkhereiji	1,000,000	10,000,000	4%
Amal Abdullah Aljaawaini	500,000	5,000,000	2%
Fatima Abdelellah Alkhereiji	500,000	5,000,000	2%
Adwaa Abdul Ilah Al-Khereiji	500,000	5,000,000	2%
Anoud Abdelellah Alkhereiji	500,000	5,000,000	2%
Yara Abdelellah Alkhereiji	500,000	5,000,000	2%
Total	**25,000,000**	**250,000,000**	**100%**

Source: The Company

On 01/04/1441H (corresponding to 28 November 2019G), the Company increased its capital from two hundred fifty million Saudi Riyals (SAR 250,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share to meet its future expansion needs, through capitalisation of one hundred seventy-five million Saudi Riyals (SAR 175,000,000) from the retained earnings and seventy-five million Saudi Riyals (75,000,000) from the balance of the statutory reserve.

Following is an explanation of the reasons for increasing the Company's capital in 2014G to SAR 550,000,000, reducing it to SAR 250,000,000 in 2018G and then increasing it again to SAR 500,000,000 in 2019G:

The Company increased its capital in 2014G to SAR 550,000,000 through capitalisation of retained earnings and a portion of the statutory reserve preliminary to offering and listing its shares in order to increasing the number of offer shares. Note that the Company cancelled the offering that year.

In 2018G, the Company decreased its capital to SAR 250,000,000 because the capital was in excess of the Company's needs and in order to reduce the Zakat burden at the time. This was carried out after obtaining the consent of the shareholders by settling and closing some accounts receivable with Related Parties - owned by the same shareholders. The value of the capital reduction was closed in the equity accounts and then reversed by closing those accounts receivable in the Related Party accounts of the shareholders.

At the end of 2019G, the Company increased its capital again to SAR 500,000,000 because it decided to initiate the procedures for offering and listing its shares on the Exchange, with the aim of increasing the number of shares. The Company, having commenced its digital transformation and expansion in order to enter the indoor advertising sector, believed that increasing its capital would be an important support for it.

The following table illustrates the Company's ownership structure following the above-mentioned capital increase:

Table (4-10): The Company's Ownership Structure as at 01/04/1441H (Corresponding to 28 November 2019G)

Name	No. of Shares	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alkhereiji	41,000,000	410,000,000	82%
Muhammad Abdelellah Alkhereiji	2,000,000	20,000,000	4%
Abdulrahman Abdelellah Alkhereiji	2,000,000	20,000,000	4%
Amal Abdullah Aljaawaini	1,000,000	10,000,000	2%
Fatima Abdelellah Alkhereiji	1,000,000	10,000,000	2%
Adwaa Abdul Ilah Al-Khereiji	1,000,000	10,000,000	2%
Anoud Abdelellah Alkhereiji	1,000,000	10,000,000	2%
Yara Abdelellah Alkhereiji	1,000,000	10,000,000	2%
Total	**50,000,000**	**500,000,000**	**100%**

Source: The Company

On 05/05/1441H (corresponding to 31 December 2019G), Muhammad Abdelellah Alkhereiji, Abdulrahman Abdelellah Alkhereiji, Amal Abdullah Aljaawaini, Fatima Abdelellah Alkhereiji, Adwaa Abdelellah Alkhereiji, Anoud Abdelellah Alkhereiji and Yara Abdelellah Alkhereiji transferred all of their shares in the Company to Engineer Holding Group Company (which is wholly owned by them and Abdelellah Abdulrahman Alkhereiji). Abdelellah Abdul Rahman Alkhereiji transferred twenty-six million (26,000,000) shares (representing 52% of the Company's capital) to the same company (i.e., Engineer Holding Group Company). The following table illustrates the Company's ownership structure following the above-mentioned ownership transfer:

Table (4-11): The Company's Ownership Structure as at 05/05/1441H (corresponding to 31 December 2019G)

Name	No. of Shares	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alkhereiji	15,000,000	150,000,000	30%
Engineer Holding Group Company	35,000,000	350,000,000	70%
Total	**50,000,000**	**500,000,000**	**100%**

Source: The Company

On 01/09/1441H (corresponding to 24 April 2020G), Abdelellah Alkhereiji sold two million, five hundred thousand (2,500,000) Company shares (representing 5% of the Company's capital) to MBC Group Holdings Ltd., which became a new shareholder in the Company. All transactions related to the sale and transfer of shares were completed on 07/12/1441H (corresponding to 28 July 2020G). The following table illustrates the current ownership structure of the Company:

Table (4-12): The Current Ownership Structure of the Company

Name	No. of Shares	Total Value of Shares (SAR)	Ownership (%)
Abdelellah Abdulrahman Alkhereiji	12,500,000	125,000,000	25%
Engineer Holding Group Company	35,000,000	350,000,000	70%
MBC Group Holdings Ltd.	2,500,000	25,000,000	5%
Total	**50,000,000**	**500,000,000**	**100%**

Source: The Company

Engineer Holding Group Company

Engineer Holding Group Company was incorporated as a limited liability company in Riyadh under Commercial Register No. 1010469253 on 23/06/1438H (corresponding to 22 March 2017G), with a capital of two million Saudi Riyals (SAR 2,000,000) divided into two thousand (2,000) cash shares with a value of one thousand Saudi Riyals (SAR 1,000) per share. Engineer Group Holding Company's activities are as follows:

1) Managing its subsidiaries or participating in the management of other companies in which it holds shares and providing the required support.
2) Investing its funds in shares and other securities.
3) Holding the properties and movables required to conduct its operations.
4) Providing loans, guarantees and funds to its subsidiaries.
5) Possessing and using industrial property rights including patents, trademarks, franchise rights and other intangible rights, and leasing them to its subsidiaries or third parties' subsidiaries.
6) Any other purpose consistent with the nature of this Company.

The following table illustrates the ownership structure of the shareholders in Engineer Holding Group Company:

Table (4-13): The Ownership Structure of Engineer Holding Group Company

Name	No. of Shares	Nominal Value (SAR)	Ownership (%)
Abdelellah Abdulrahman Alk-hereiji	1,000	1,000,000	50.0%
Muhammad Abdelellah Alk-hereiji	220	220,000	11.0%
Abdulrahman Abdelellah Alk-hereiji	220	220,000	11.0%
Amal Abdullah Aljaawaini	120	120,000	6.0%
Fatima Abdelellah Alkhereiji	110	110,000	5.5%
Adwaa Abdul Ilah Al-Khereiji	110	110,000	5.5%
Anoud Abdelellah Alkhereiji	110	110,000	5.5%
Yara Abdelellah Alkhereiji	110	110,000	5.5%
Total	**2,000**	**2,000,000**	**100%**

Source: The Company

MBC Group Holdings Ltd.

MBC Group Holdings Ltd. was incorporated on 18 April 2011G in the British Virgin Islands as a limited liability company, under British Virgin Islands Certificate of Incorporation No. 1644127. MBC Group Holdings Ltd. operates as a holding company for MBC Group and its activities include:

1) Owning a free-to-air Arab satellite television network.
2) Creating multiple TV channels.
3) Owning radio stations.
4) Providing on-demand video services.
5) Producing films and TV programs.
6) Organising events.
7) Acting as a registration company.

The following table illustrates the ownership structure of the shareholders in MBC Group Holdings Ltd. Note that the number of authorised shares is 50,000 shares, of which 10,000 shares have been issued, as shown below, with no nominal value:

Table (4-14): The Ownership Structure of MBC Group Holdings Ltd.

Name	No. of Shares	Ownership (%)
IMI Ventures Ltd.	6,000	60%
Waleed Ibrahim Al-Ibrahim	4,000	40%
Total	**10,000**	**100%**

Source: The Company

4.3 Subsidiaries

The Company currently has one fully owned subsidiary. The following is an overview of this subsidiary:

Al Arabia Out of Home Advertising Company - Dubai - United Arab Emirates

Al Arabia Out of Home Advertising Company was incorporated as a limited liability company with a capital of one hundred thousand Emirati dirhams (AED 100,000) (equivalent to about one hundred two thousand Saudi Riyals (SAR 102,000)) divided into one hundred (100) shares with a value of one thousand Emirati dirhams (AED 1,000) per share. The company's head office is located in Dubai Media City in the Emirate of Dubai, United Arab Emirates (which is a free zone). The company holds Commercial License No. 95928 dated 18 April 2019G.

The company has nine employees, including one executive employee, Haitham Ahwash. Al Arabia marketed the Company's advertising spaces to advertising agencies and media buyers in the United Arab Emirates before Arabia Out of Home Advertising Company was incorporated in 2019G by Al Miza Outdoor Advertising Company, which was owned by a Director (Muhammed Abdelellah Alkhereiji). Al Arabia Out of Home Advertising Company does not have financial statements for 2019G due to its recent incorporation. Its first financial statements issued will be for the financial year ended 31 December 2020G. The employees of Al Arabia Out of Home Advertising Company receive commissions according to the Company's policy as approved by the CEO. No commissions were paid to employees of Al Arabia Out of Home Advertising Company in 2019G and 2020G.

The following table illustrates the ownership structure of Al Arabia Out of Home Advertising

Table (4-15): Ownership Structure of Al Arabia Out of Home Advertising

Name	Cash Shares	Value per Share	Total Value of Shares (AED)	Ownership Percentage
Arabian Contracting Services Company	100	1,000	100,000	100%

Source: The Company

The company's activities revolve around it being a representative office of Al Arabia and marketing the Company's advertising spaces to advertising agencies and media buyers in the United Arab Emirates. The company does not enter into contracts with any of these parties. Contracts are made directly by Al Arabia. Al Arabia used to market the Company's advertising spaces to advertising agencies and media buyers in the United Arab Emirates before the company was established through Al Miza Outdoor Advertising Company, which was owned by a Director, Muhammed Abdelellah Alkhereiji.

Al Arabia established this company in Dubai Media City (Free Zone) on the grounds that all advertising agencies and major media buyers are located within the same free zone. The Company was incorporated so that the marketing staff of Arabian Contracting Services Company can have legal residence in the United Arab Emirates (as was the case with "Outdoor Media Solutions" in the past).

4.4 The Company's Key Historical Events

The following table illustrates the Company's key historical events since its incorporation:

Table (4-16): The Company's Key Historical Events

Date	Events
1983G	The Arabian Contracting Services Company was incorporated as a limited liability company with the objective of operating in the outdoor advertising services sector, particularly installing and operating outdoor advertising billboards. Upon incorporation, the Company's business activities were limited to Mupi billboards in Riyadh.
1990G	The Company's scope of business in the advertising sector was expanded to include Qassim Province and the Eastern Province.
1992G	The Company's scope of business in the advertising sector was expanded to include Mecca and Jeddah.
1995G	A new type of advertising billboards was introduced alongside Mupi billboards, namely, Megacom and Pisa billboards.
1998G	The Company's scope of business was expanded to cover the Kingdom of Saudi Arabia's various provinces and major cities.
2004G	Printing operations were introduced using digital printing technology at Al Arabia's presses in Riyadh.
2004G	Lamppost and Super Structure billboards were added to the list of Company billboards.
2006G	The Company was converted into a Saudi closed joint stock company with a share capital of SAR 60,000,000.
2008G	The Company increased its capital from SAR 60,000,000 to SAR 150,000,000 through capitalising SAR 69,885,582 and converting 6,714,418 SAR from the balance of the statutory reserve, and through a cash contribution of SAR 13,400,000 from shareholders.
2010G	The Company secured exclusive advertising contracts for Mupi and Megacom billboards in Jeddah. This is considered a qualitative shift in Jeddah.
2011G	The Company started to run a department to market and sell raw materials used in printing and advertising billboards, such as digital printing materials manufactured by 3M, which appointed the Company as a non-exclusive distributor for some of its products in the Kingdom of Saudi Arabia.

Date	Events
2012G	The Company increased its capital from one hundred fifty million Saudi Riyals (SAR 150,000,000) to two hundred ten million Saudi Riyals (SAR 210,000,000) through capitalising forty-four million, four hundred sixty-four thousand, nine hundred sixty-six Saudi Riyals (SAR 44,464,966) from the retained earnings and transferring the statutory reserve balance of fifteen million, five hundred thirty-five thousand, thirty-four Saudi Riyals (SAR 15,535,034).
2012G	The Company introduced LED billboards for the first time in Jeddah and Riyadh.
2013G	Al Arabia Company Rawiyya Printing Press, the Company's printing press in Jeddah, became operational.
2014G	The Company increased its capital from SAR 210,000,000 to SAR 550,000,000 divided into 55,000,000 ordinary shares with a nominal value of 10 SAR per share through capitalising SAR 301,046,645 from the retained earnings and SAR 38,953,355 from the balance of the statutory reserve.
2018G	The Company started using Mezah billboards for the first time in the Kingdom of Saudi Arabia, specifically in Riyadh and Jeddah.
2018G	The Company's capital was decreased from five hundred fifty million Saudi Riyals (SAR 550,000,000) to two hundred fifty million Saudi Riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, because it was in excess of the Company's needs that year.
2019G	The Company entered the indoor advertising domain by signing contracts with various parties such as Al-Manakha (Madinah), Riyadh Park and Tabuk Park.
2019G	The Company entered into a contract with the Diplomatic Quarter General Authority to exclusively market all types of billboards in the Diplomatic Quarter (Riyadh) for a period of 15 years. The Company also entered into a contract with Zaha Hadid, one of the largest design companies in the world, to design its billboards in the Diplomatic Quarter.
2019G	Due to the planned expansions of the Company's business, including the Diplomatic Quarter Project, and the upgrade of the Company's billboards to digital billboards, the Company increased its capital from two hundred fifty million Saudi Riyals (SAR 250,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share, through capitalising one hundred seventy-five million Saudi Riyals (SAR 175,000,000) from the retained earnings and seventy-five million Saudi Riyals (75,000,000) from the balance of the statutory reserve.
2019G	Shares representing 70% of the Company's capital were transferred to Engineer Holding Group Company, owned by the same former shareholders of the Company (for more information, refer to Table 4.13 ("The Ownership Structure of Engineer Holding Group Company")).
2020G	Shares representing 5% of the Company's capital were transferred to MBC Group Holdings Ltd. (for more information, refer to Table 4.12 ("The Current Ownership Structure of the Company")).

Source: The Company

4.5 Vision

To cement our position as the leading Saudi company in out-of-home media and to become the catalyst of the national economy, in the media sector, by expanding our leadership in the Middle East region.

4.6 Mission

To provide cities and clients with top-notch advertising products, data driven solutions and world-class services using international standards and the latest technologies.

4.7 Main Business Activities

Al Arabia is a leading company in outdoor advertising in the Kingdom of Saudi Arabia. It started operating in this sector about thirty years ago. The Company is currently considered the frontrunner of companies operating in this sector in the Kingdom of Saudi Arabia in terms of market share and revenue. The Company's business includes setting up, operating and maintaining outdoor advertising billboards, specifically roadside advertising and indoor advertising. As at 31 December 2020G, the Company had about 4,942 roadside billboards and 73 indoor billboards. The Company has a variety of billboards utilising different technologies to meet various client needs, including static billboards, dynamic billboards and digital billboards. The Company has recently introduced new types of billboards in line with global developments in the outdoor advertising sector that maximise the direct impact of these billboards on the public and users. This was demonstrated by "The Guide" screen that was installed and operated at the beginning of 2021G on Prince Mohammed Bin Abdulaziz Street – Tahlia Street, in Riyadh. These billboards are distributed in about 28 cities across the Kingdom of Saudi Arabia, making Al-Arabia the most prominent company in this sector in terms of geographical coverage in the country.

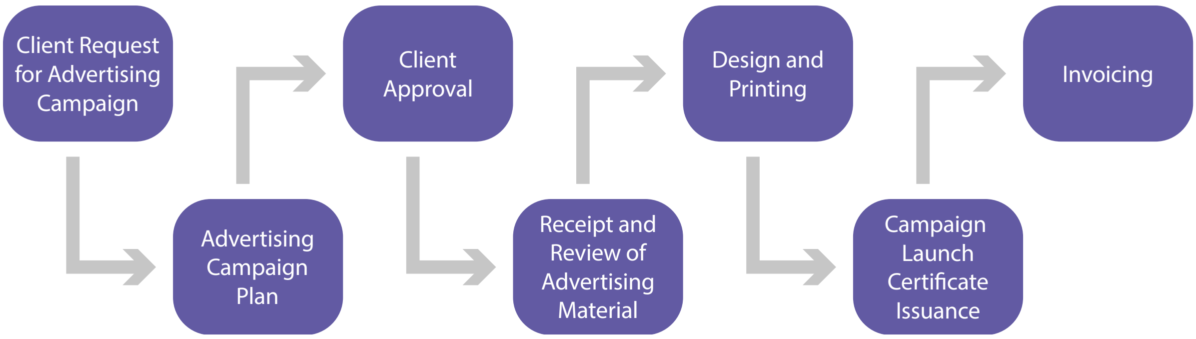
Outdoor advertising is one of the main advertising methods specifically targets people outside their homes, whether they are pedestrians, drivers, passengers, shopping centre visitors or airport travellers. Outdoor advertising is divided into three categories by location: (1) roadside advertising, (2) indoor advertising, and (3) transit advertising. Note that the Company's business is currently limited to roadside advertising and indoor advertising. The Company carries out its activities through an integrated business model that encompasses all operational processes that serve the outdoor advertising sector, as well as billboard installation (including site construction operations and electrical works), marketing and selling advertising spaces to clients, printing advertisements and installing them on billboards and maintenance operations. The Company carries out silk-screen printing (a printing technique using a silk screen to print advertisements), offset printing (a printing technique using metal printing plates in various printing operations) and digital printing (a printing technique in which computer systems are used to print advertisements).

Recently, the Company introduced digital billboard technology to its billboards. These billboards are attractive, capable of displaying a greater number of advertising panels and the advertisements displayed thereon can be instantly changed from the Company's main control centre, which facilitates the implementation of advertising campaigns for the Company's clients.

Note that the Company markets its advertising spaces within the Kingdom of Saudi Arabia to advertising agencies and media buyers through its subsidiary, Al Arabia Out of Home Advertising in the United Arab Emirates. The latter is a representative and marketing office for the Company.

4.7.1 Company's Client Business Model

The following figure summarises the model and stages of the Company's business with its clients:



1- Client Request for Advertising Campaign

A client submits a request to the Company to reserve space for an advertising campaign in which it specifies the type of billboard, the number of required panels and regions within the Kingdom of Saudi Arabia, as well as the budget allocated for this campaign.

2- Advertising Campaign Plan

The Company makes an offer to the client in which it explains the proposed best plan to launch the required campaign, in line with the available space for the type of billboard and the areas requested by the client, as well as its budget.

3- Client Approval

After reviewing the proposed plan, the client issues a reservation order to the Company to confirm the request.

4- Receipt and Review of Advertising Material

The client sends the advertising material to the Company to review and confirm that it is suitable and in conformity with the applicable conditions, in terms of the general taste of the country and the requirements of secretariats and municipalities.

5- Design and Printing

The Company reviews and prepares the advertising material design in terms of image quality and transfers it to either the Printing Department or the Digital Department if the billboard is an LED screen.

6- Issuance of Campaign Launch Certificate

The Company issues a campaign launch certificate to the client indicating launch of the campaign, and specifying the type of billboard, the number of panels and regions.

7- Invoicing

Upon completion of the advertising campaign, the Company issues an invoice to the client.

Following is detailed information about the Company's activities:

The Company's business includes setting up and operating outdoor advertising billboards, including roadside advertising and indoor advertising. For roadside advertising, the Company participates in tenders organised by various secretariats, municipalities, and government agencies in all provinces and cities of the Kingdom of Saudi Arabia to lease and utilise the many sites belonging to these agencies and secretariats by installing billboards on them and selling the advertising space on these billboards to their clients. The Company has recently expanded its business by entering the indoor advertising market. In this regard, the Company has entered into a number of exclusive contracts with owners of commercial centres in different regions within the Kingdom of Saudi Arabia.

4.7.2 The Company's Roadside Advertising Business

Roadside advertising accounts for the largest portion of the Company's business in terms of revenue and number of billboards. Segment revenues accounted for about 97%, 97% and 95% of the Company's total revenue in 2018G, 2019G and 2020G, respectively. As at 31 December 2020G, the Company installs and operates billboards of various shapes and types (equivalent to about 12,600 outdoor advertising faces).

With a total of about 4,942 billboards located in nearly 28 cities around the Kingdom of Saudi Arabia, the Company is the largest company operating in this sector in terms of geographical coverage, number of billboards and available advertising spaces, according to the report prepared by Frost and Sullivan.

The Company's contracts in this domain are mainly concluded with secretariats and municipalities across the Kingdom of Saudi Arabia's provinces that are under the supervision of the Ministry of Municipal, Rural Affairs and Housing. These contracts are governed by the Rules Organising Advertising and Publicity Boards issued by Cabinet Resolution No. 177 on 04/11/1410H and approved by Royal Decree No. M/53 dated 24/09/1423H, and the Municipal Real Estate Disposal Regulations issued by Royal Decree (3/B/38313) on 24/09/1423H amended by Royal Decree No. 40152 dated 29/06/1441H (for more information, refer to Section 12.7.1.1 ("**Summary of Secretariat Contracts**")). The secretariats and municipalities determine the number of usable sites and the types of billboards to be installed on such sites then organise tenders for such sites. The date of bids is announced and tenders are submitted through the Balady – Opportunities website. Investors purchase tenders from the website, prepare the required documents and bank guarantees, and submit the tender file with a copy of the bank guarantee through the municipality's website, delivering the original bank guarantee to the municipality in a sealed envelope on the date set for opening the envelopes. The envelopes are opened on the date specified by the municipality and the name of the investor with the highest bid is announced. If the price submitted by the investor is appropriate, the bid is awarded to it with a one-month grace period to pay the first year's rent. After paying the first year's rent, the contract is signed and the bank guarantee is refunded to the investor. The site is then delivered to the investor within a month from the date of signing the contract.

The required guarantees are estimated at 25% of the lease value for the first year, with rent payable on an annual basis. Leases have durations of no more than 10 years. Company costs for advertising site leases concluded with secretariats, municipalities and other entities accounted for 85%, 82% and 85% of operating revenue costs, representing 59%, 47%, and 68% of total revenue in 2018G, 2019G and 2020G, respectively. See Section 5.5.2 ("**Contracts and Tenders Department**") for more information. If the Company is awarded a tender, once the necessary legal procedures, such as paying rent and signing contracts, are completed, the relevant sites are handed over by the secretariat and municipalities and the Company's specialised teams undertake the construction and installation of billboards on those sites and extend power lines to light and operate them. The Company's teams also install data chips to connect digital billboards with the Company's main control centre.

When electric power is provided by the municipalities (such as street light posts), the Company pays fees to the concerned municipalities and secretariats for their billboards' electricity consumption. In some cases, the Company connects electrical current to its billboards directly from the Saudi Electricity Company (SEC). In this case, the Company installs meters to measure the energy consumption of the relevant billboards, on the basis of which consumption fees are calculated and paid by the Company to the SEC.

The Company rents a limited number of billboard sites from several government agencies (excluding secretariats and municipalities) and non-governmental entities. These contracts are all considered immaterial to the Company, as the Company's revenue from these contracts accounted for 1.2%, 1% and 1% of its total revenue for the years 2018G, 2019G and 2020G.

The types of billboards used by the Company in roadside advertising are as follows:

1- Green Mupi Billboards

1.2m x 1.8m solar-powered billboards equipped with recycling bins to keep the environment clean. The Company recently stopped operating this type of billboard and had no such billboards as at 31 December 2020G.

2- Mupi Billboards

Double-sided internally lit billboards, with each side measuring 1.2m x 1.8m, usually placed at traffic lights on main streets and on sidewalks, allowing both pedestrians and drivers' clear and close-up viewing. This type of billboard is easily changed by replacing the advertisement poster. It is considered one of the most suitable platforms for intensive promotional advertising campaigns as they are located in most areas of the Kingdom of Saudi Arabia. As at 31 December 2020G, the Company owned about 2,997 of these billboards with 5,994 advertising faces.

3- Megacom Billboards

Internally lit double-sided billboards, with each side measuring 3m x 4m, fixed on a steel post. This type of billboard has become common in vibrant areas of target neighbourhoods to communicate the marketed message to residents and visitors. It is considered one of the most suitable and high-impact ways to advertise promotional campaigns. This type of billboard was first introduced in Riyadh and Jeddah then spread across the remaining major cities in the Kingdom of Saudi Arabia. As at 31 December 2020G, the Company owned about 1,466 of these billboards with 2,932 advertising faces.

The Company also has Mega Digital billboards, which are billboards with double-sided displays, with each side measuring 3m x 4m, installed on a steel post carrying two adjacent screens that work with digital electronic panel technology. It is considered one of the most suitable advertising means for high-impact promotional campaigns. It is characterised by the speed at which ads are changed and displayed. This medium was first introduced in Riyadh in 2020G. The Company owns about 30 billboards with 300 advertising faces as at 31 December 2020G.

4- Mezah Billboards

Double-sided billboards, with each side measuring 3m x 4m, developed with modern, smart electronic technology and fixed on a steel post. These billboards have started to become common in vibrant areas of target neighbourhoods to deliver the marketed message, beginning in Riyadh, Jeddah, and the Eastern Province successively. As at 31 December 2020G, the Company had about 158 of these billboards with 1,580 advertising faces.

The Company also has “Meza Ball” billboards, which were developed using modern and smart electronic technology. These have double-sided displays, with each side measuring 6m x 8m, that are installed on a steel post. This medium began to spread in vibrant areas of the target neighbourhoods to deliver the advertising message. It was first introduced in Riyadh, Jeddah, then in the Eastern Province. The Company owns about 8 billboards with 80 advertising faces as at 31 December 2020.

5- Pisa Billboards (Scroller)

Internally lit billboards measuring 3m x 4m, fixed on a side steel post. The billboards contain an electronic system allowing four advertisements to be displayed on each side. This type of billboard has become common in vibrant areas of target neighbourhoods to deliver the marketed message to residents and visitors. It is considered one of the most suitable e-advertising platforms for the most influential promotional campaigns. This is also a new platform first introduced to Riyadh in early 2008G and has succeeded in attracting a large segment of advertisers. The Company had 88 of these billboards with 704 advertising faces as at 31 December 2020G.

6- Portrait Billboards

2m x 3m billboards installed on the sidewalks of major, prominent streets in cities. This type of billboard is considered one of the most technologically advanced billboards, with one static side and one dynamic side. Examples of these billboards can be found on Prince Muhammad bin Abdulaziz Street (Tahlia) in Riyadh. It is considered one of the most appropriate advertising means for high-impact promotional campaigns. One of its biggest advantages is its visibility from far distances. The Company had 73 of these billboards with 365 advertising panels as at 31 December 2020G.

7- LED Screens

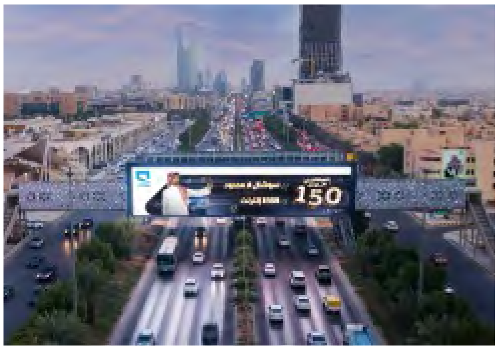
Digital screens of various sizes including 3m x 4m and 5m x 10m, used predominantly in vibrant areas. These billboards are considered one of the most appropriate advertising means for intensive promotional campaigns, since they are preferred by several sectors, including banking, real estate, automobile, and others. They are also used in trademark advertising. The Company had 28 of these billboards with 28 advertising panels as at 31 December 2020G.

8- Super Structures

Externally lit giant billboards that range in size from 75 m2 to 400 m2, allowing for greater visibility, comprehension, and impact due to their large size. In most cases, these billboards are installed on steel supports along highways and some major city centres. This type of advertisement is printed on a high-quality heavy white vinyl background and uses images that are creative and carry impact. It is one of the most common advertising mediums used in trademark advertising. The Company has recently stopped operating this type of billboard, and accordingly, had no such billboards as at 31 December 2020G.

9- Walking Bridge Billboards

Electronic and static walking bridge billboards are one of the largest types of billboards and are installed on walking bridges connecting the sides of highways. They are available in several sizes depending on the size of the bridge. Sizes used in the Kingdom of Saudi Arabia for each panel are: 450m2, 270m2, 261m2, 112m2, and 105m2. Walking bridge billboards are internally lit and allow for greater visibility, comprehension and impact. They are also used in trademark advertising. The Company had two walking bridge billboards with 2 advertising panels as at 31 December 2020G.

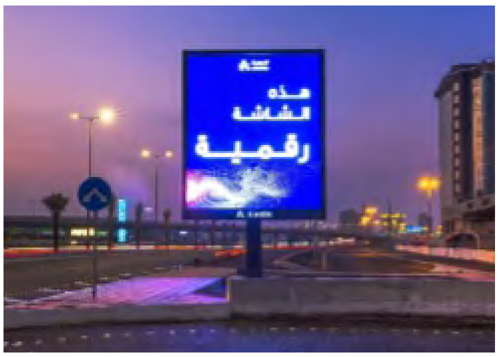


10- Tower 6 Billboards

Internally lit 5m x 7m double-sided billboards installed on a side steel post. This type of billboard has become common in Jeddah and Mecca in vibrant areas of target neighbourhoods to convey the marketed message. The Company had 16 of these billboards with 32 advertising panels as at 31 December 2020G.

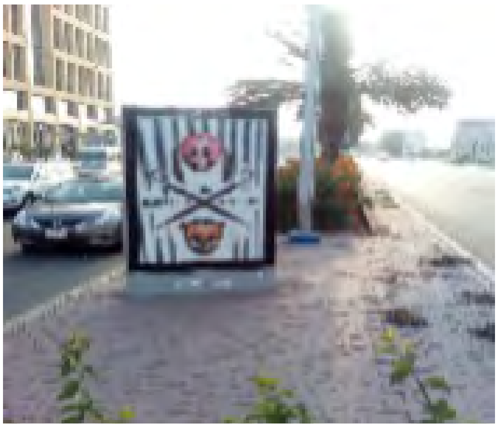
11- Tower 6 Digital Billboards

Double-sided billboards, with each side measuring 5m x 7m, developed with modern, smart electronic technology and fixed on a steel post. This type of billboard was first introduced in Jeddah, where they were distributed along main roads to deliver the marketed message. As at 31 December 2020G, the Company had 11 of these billboards with 55 advertising panels.



12- Mupi Scroller Billboards

Internally lit 1.2m x 1.8m billboards, with an electronic system allowing four advertisements to be displayed on each side. These billboards are located on Prince Muhammad bin Abdulaziz Street, Jeddah. This type of platform focuses on targeting certain groups, and it is a new medium that was introduced in early 2019G in Jeddah. As at 31 December 2020G, the Company had 66 of these billboards with 528 advertising panels.



13- "The Guide" Billboards

2m x 3m billboards installed on the sidewalks of main and prominent city streets. This type of billboard is considered one of the most technologically advanced billboards, with one digital face and one interactive face. Examples of these billboards can be found on Prince Muhammad bin Abdulaziz Street (Tahlia) in Riyadh. It is considered one of the most appropriate advertising means for high-impact promotional campaigns. One of its most significant features is that it can be seen from far distances. It also contains interactive services to interact with pedestrians and is useful for public services. The Company has 20 of these billboards with 100 advertising panels as at 31 March 2021G.

The following table illustrates the number of each type of billboard owned by the Company as at 31 December 2018G, 2019G and 2020G:

Table (4-17): Number of Billboards Owned by the Company as at 31 December 2018G, 2019G and 2020G

Type of Billboard	2018G	2019G	2020
Green Mupi	782	782	0*
Mupi Billboards	3,801	3,452	2,997
Megacom Billboards	1,594	1,687	1,496
Mezah Billboards	74	125	166
Pisa Billboards (Scroller)	132	121	88
Portrait Billboards	75	75	73
LED Screens	24	27	28
Super Structures	23	22	0
Walking Bridge Billboards	3	2	1
Tower 6 Billboards	25	16	16
Tower 6 Digital Billboards	0	10	11
Mupi Scroller	0	66	66
Total	**6,533**	**6,385**	**4,942**
Total Occupancy Rate	**54%**	**60%**	**42%**

Source: The Company

*There are no billboards and the contract is expired.

Table (4-18): Number of Panels Owned by the Company as at 31 December 2018G, 2019G and 2020G

Type of Billboard	2018G	2019G	2020G
Green Mupi Billboards	1,564	1,564	0*
Mupi Billboards	7,602	6,904	5,994
Megacom Billboards	3,088	3,374	2,932
Mezah Billboards	740	1,250	1,580
Pisa Billboards (Scroller)	1,056	968	704
Portrait Billboards	375	375	365
LED Screens	24	27	28
Super Structures	23	22	0
Walking Bridge Billboards	6	4	2
Tower 6 Billboards	50	32	32
Tower 6 Digital Billboards	0	40	55
Mupi Scroller	0	528	528
Meza Ball	0	0	80
Mega Digital Billboards	0	0	300
Total	**14,528**	**15,088**	**12,600**

Source: The Company

Table (4-19): Number of Billboards Owned by the Company by Region as at 31 December 2018G, 2019G and 2020G

Province	2018G	2019G	2020G
Riyadh	2,408	2,427	1,450
Jeddah	1,151	1,140	1,040
Dammam/Khobar	568	604	597
Southern Province	791	611	662
Madinah	450	503	118
Al Qassim	424	409	334
Eastern Province (except Dammam and Khobar)	383	332	342
Mecca	206	227	199
Northern Province	152	132	200
Total	**6,533**	**6,385**	**4,942**

Source: The Company

Table (4-20): Number of Panels Owned by the Company by Region as at 31 December 2018G, 2019G and 2020G

Province	2018G	2019G	2020G
Riyadh	5,778	5,774	4,032
Jeddah	2,934	3,315	3,194
Dammam/Khobar	1,114	1,431	1,434
Southern Province	1,581	1,221	1,322
Madinah	899	1,155	475
Al Qassim	847	817	667
Eastern Province (except Dammam and Khobar)	764	662	682
Mecca	309	451	394
Northern Province	302	262	400
Total	**14,528**	**15,088**	**12,600**

Source: The Company

4.7.3 Company Activities in Indoor Advertising

In 2019G, the Company expanded its scope of business by entering the indoor advertising market. In this regard, the Company entered into a number of exclusive contracts with the Diplomatic Quarter General Authority and the owners of commercial centres in Riyadh Front Project, Riyadh Park, The Zone in Riyadh, Tabuk Park in Tabuk, and the Al Manakhah Project in Madinah. As at 31 December 2020G, the Company had concluded eight (8) contracts in this sector, under which the Company was granted the right to install and market the advertising space of billboards of various shapes and types in addition to the exclusive right to conduct promotional events within specific areas according to each contract (for more information, refer to Section 12.7.2 ("**Indoor Advertising Site Contracts**")). As at 31 December 2020G, the Company had installed 73 billboards and 730 advertising faces under these contracts.

The Company's specialised teams carry out the installation of billboards at those sites and extend power lines thereto for lighting and operation. The Company's teams also install data chips for the digital billboards in order to connect them with the Company's main control centre.

Indoor advertising revenue for 2019G accounted for 1.3% and 2.4% of total revenue for 2019G and 2020G, respectively, and 2.2% and 3% of cost of revenue for 2019G and 2020G, respectively. Following is an overview of the types of billboards used by the Company for indoor advertising:

1- Mupi Digital

A double-sided Mupi billboard with modern and smart electronic technology, including a touch screen to serve passers-by, and an internal advertising panel that displays advertising inside commercial complexes. As at 31 December 2020G, the Company had 49 billboards with 490 advertising panels.

2- Bulkhead Screens

Electronic screens with various sizes ranging from 4m x 2m to 25.5m x 7m that display more than one advertisement. They are located in open and closed commercial complexes. As at 31 December 2020G, the Company had 12 of these screens with 120 advertising panels.

3- Façade Screens

Electronic screens with different sizes of 7.57m and 4.7m, such as those in the Riyadh Front complex that display more than one advertisement. As at 31 December 2020G, the Company had 12 of these billboards, each with 120 advertising panels.

Table (4-21): Number of Billboards Owned by the Company as at 31 December 2019G and 2020G

Type of Billboard	2019G	2020G
Mupi Digital	23	49
Bulkhead Screens	5	12
Façade Screens	2	12
Total	**30**	**73**

Source: The Company

4.7.4 The Company's Clients

The Company's client list mainly includes media buyers, advertising agencies and large companies that directly undertake their own advertising campaigns. The Company does not enter into agreements with any of its clients, as the Company does business with clients under purchase orders that it receives from them. The following table illustrates the details of the Company's revenues in 2018G, 2019G and 2020G, divided by different client categories:

Table (4-22): The Company's Revenue Divided by Client Categories in 2018G, 2019G and 2020G (SAR'000)

Client Category	2018G	% of Total Revenues	2019G	% of Total Revenues	2020G	% of Total Revenues
Media Buyers (MBUs)	402,138	63%	534,816	68%	334,410	67%
Direct Advertisers	201,812	32%	182,659	23%	110,599	22%
Direct Governmental Clients	16,456	2%	40,467	5%	26,903	6%
Other	18,751	3%	29,556	4%	25,673	5%
Total	**639,157**	**-**	**787,498**	**-**	**497,585**	

Source: The Company

As evident from the table above, media buyers accounted for the largest share of the Company's revenues during 2018G, 2019G and 2020G, at a rate of 63%, 68% and 67% of the Company's total revenues, respectively. This percentage reflects the nature of the advertising industry, as media buyers devote their activities to purchasing advertising space on a number of media platforms, such as outdoor advertising, television and newspapers, to display advertising materials. Examples of media buyers are Universal Media and Target & Starcom. The following table illustrates the Company's top ten clients in terms of revenue in 2018G, 2019G and 2020G:

Table (4-23): Revenues from Top 10 Roadside Advertising Clients in2018G, 2019G and 2020G (SAR'000)

Client	2018G (SAR)	2018G (%)	2019G (SAR)	2019G (%)	2020G (SAR)	2020G (%)
Orbit Advertising	51,419	8.29%	88,729	11.71%	68,070	14.42%
Universal Media	36,399	5.87%	112,585	14.85%	53,371	11.31%
Mindshare	34,398	5.54%	20,508	2.71%	40,612	8.61%
Target & Starcom	58,724	9.47%	42,692	5.63%	31,521	6.68%
Riyad Bank	7,300	1.18%	22,000	2.9%	27,425	5.81%
Dorrat Al-Fikra Advertising Agency	1,043	0.17%	552	0.07%	17,845	3.78%
IMDN Advertising Agency	5,530	0.89%	6,787	0.90%	14,966	3.17%
Basera Advertising Co.	11,150	1.80%	14,364	1.90%	12,890	2.73%
Vyron Marketing Company	4,292	0.69%	15,563	2.05%	11,789	2.50%
Jarir Bookstore	19,610	3.16%	17,198	2.27%	11,486	2.43%
Other	390,541	62.95%	416,964	55.01%	181,937	38.55%
Total	**620,406**		**757,942**		**471,912**	

Source: The Company

*Except for Riyad Bank, all clients mentioned above are purchasers of advertising space

Table (4-24): Top 10 Indoor Advertising Clients for 2019G and 2020G

Client	2019G (SAR)	2019G (%)	Client	2020G (%)	2020G (%)
Universal Media	1,655,321	16.3%	Group Advertising Agency	1,701,483	14.39%
Free Icons Foundation	1,253,262	12.4%	Orbit Advertising	1,616,060	13.67%
Ministry of Sports	935,850	9.2%	Universal Media	1,324,849	11.20%
Khayal Advertising Agency	744,655	7.3%	Free Icons Foundation	927,473	7.84%
Orbit Advertising	653,370	6.4%	Basera Advertising Co.	764,047	6.46%
ICOM	506,340	5.0%	G20 Saudi Secretariat	539,130	4.56%
Al Miza Outdoor Advertising	490,516	4.8%	Riyad Bank	538,559	4.55%
Creative Blink Company	563,370	5.6%	Mindshare	533,500	4.51%
Abdul Qadir Suleiman Alkhereiji	318,999	3.1%	Jarir Bookstore	528,880	4.47%
General Entertainment Authority	292,400	2.9%	Mrsool	475,500	4.02%
Other	2,718,856	26.8%	Other	2,875,148	24.31%
Total	**10,132,939**		**Total**	**11,824,629**	

Source: The Company

*The Company started doing business in indoor advertising in 2019G.

4.7.5 Company Suppliers

The Company's billboard purchases constitute the largest portion of its total purchases. Such purchases accounted for about 54%, 66% and 79% of the Company's total purchases in 2018G, 2019G and 2020G, respectively. The Company purchases or imports advertising billboards according to the numbers and types determined in the purchase orders, as there are no contracts with suppliers (local or foreign) as the Company makes purchases through purchase orders. The Company currently purchases part of its Mupi and Megacom billboards from SignWorld, which is a Related Party under a cooperation contract (for more information, refer to Section 12-9 ("**Material Contracts with Related Parties**")). The Company imports the remaining types of billboards from foreign suppliers. The list of billboard suppliers that the Company does business with includes the US Daktronics Company, the Belgian Open Company, and the Chinese Egzo Wonderful Company.

4.7.6 Company Print Shops

The printing business is considered a main part of the Company's advertising business cycle. The Company carries out such printing works through its two wholly owned print shops in Riyadh and Jeddah. The print shop located in Riyadh carries out silk-screen, offset and digital printing. It has a total area of 5,400m2. The print shop located in Jeddah is limited to digital printing.

The Company has made a strategic decision to establish its print shop in Jeddah although the Company does not use the full capacity of its print shop in Riyadh. The Company's management noticed that advertising printing is shifting towards digital printing technology. As this print shop is located in Jeddah, the cost of shipping posters from the Company's print shop in Riyadh to cities in the Western Region is reduced, as is the transportation time from Riyadh to Jeddah. The Jeddah print shop currently has eight (8) digital printers used to print advertising posters for new billboards in Jeddah and the surrounding provinces. The total area of this print shop is five thousand square meters (5,000m2).

The following table sets out details about Al Arabia's print shops:

Table (4-25): The Company's Print Shops

Print Shop	Services Provided	Location
Riyadh Printing Press	Silk screen printing, offset printing, digital printing, and sale of printing posters	Riyadh, Second Industrial City, Al Kharj Road
Jeddah Printing Press	Digital Printing	Jeddah, Mecca-Jeddah Highway, Second Industrial City, Fifth Stage

Source: The Company

The Company receives the designs for upcoming advertising campaigns two to seven days before the date such campaigns are launched. This requires that the Company's print shops have a high production capacity so they are able to print all posters required for a campaign within a short period without delay. For this reason and in line with the nature of this industry, all of the Company's print shops have unused production capacity to cover increased demand, if any. For more information, see Section 5.5.7 ("**Print Shop Department**").

The following table illustrates the different technologies used in the Company's print shops and their production capacity and revenue in 2018G, 2019G and 2020G:

Table (4-26): The Company's Print Shops and their Production Capacity

Type of Printing	2018G				2019G				2020G			
	Available Capacity	Used Capacity	%	Revenue (SAR)	Available Capacity	Used Capacity	%	Revenue (SAR)	Available Capacity	Used Capacity	%	Revenue (SAR)
Silk-Screen Printing (tons)	3,912,480	276,628	7%	9,706,599	3,912,480	272,640	7%	8,729,545	3,912,480	183,292	5%	5,449,366.00
Offset Printing (by sheet)	35,100,000	972,067	3%	1,328,347	35,100,000	1,697,349	5%	1,993,040	35,100,000	3,081,360	9%	4,198,730.00
Digital Printing (m2)	4,193,280	1,288,939	31%	62,267,333	4,193,280	1,387,770	33%	58,539,645	4,193,280	980,255	23%	31,634,379.00
Total	**43,205,760**	**2,537,634**	**6%**	**73,302,279**	**43,205,760**	**3,357,759**	**8%**	**69,262,230**	**43,205,760**	**4,244,907**	**10%**	**41,282,475.00**

Source: The Company

Currently, the majority of the Company's printing operations are associated with its business in the advertising sector. All posters used in the Company's advertising billboards are printed by its print shops. Accordingly, printing revenues related to outdoor advertising represent a large percentage of total printing revenues. Such revenues accounted for 74%, 78% and 66% of total printing revenue in 2018G, 2019G and 2020G, respectively. The Company's print shops also provide printing services to clients not associated with the advertising sector, in order to utilise their capacities. Revenue from such clients accounted for 26%, 22% and 34% of total printing revenue in 2018G, 2019G and 2020G, respectively. The Company relies on several suppliers operating in the printing sector to procure raw materials from local and external suppliers. Such raw materials include ink, paper, flex panels and banners. Note that the Company takes care to diversify its sources of raw materials and does not rely on a single supplier. The following table illustrates the Company's top ten suppliers in the printing sector:

Table (4-27): The Company's Top Five Suppliers in the Printing Sector in 2018G, 2019G and 2020G

Supplier	2018G (SAR)	% of Total Procurement	Supplier	2019G (SAR)	% of Total Procurement	Supplier	2020G (SAR)	% of Total Procurement
3M	10,930,879	58%	3M	6,158,011	40%	3M	3,102,548	29%
Open Out of Home	2,481,130	13%	Jafen Al-Alwan	4,311,815	28%	Jafen Al-Alwan	2,679,101	25%
Jafen Al-Alwan	1,134,304	6%	Zhejiang Xinbang	1,459,657	10%	Zhejiang Xinbang	1,032,547	10%
Muhammad Saeed Al Qatami Commercial Corporation	787,858	4%	Muhammad Saeed Al Qatami Commercial Corporation	657,662	4%	Alkhorayef Printing Solutions	696,257	7%
Simpex	452,210	2%	Color System Foundation	326,012	2%	Muhammad Saeed Al Qatami Commercial Corporation	555,004	5%
Other	3,156,962	17%		2,331,139	15%		2,538,168	24%
Total	**18,943,343**	**100%**		**15,244,296**	**100%**		**10,603,625**	**100%**

Source: The Company

4.8 Strengths and Competitive Advantages

4.8.1 The Company Operates in the Largest Economy in the Middle East and North Africa, in Addition to a Developing Market Supported by Stable Macroeconomics and Kingdom of Saudi Arabia's Vision 2030G

The Saudi economy is the largest and most attractive economy in GCC countries and the Middle East region, with a GDP of about 3.0 trillion Saudi Riyals in 2019G. It is supported by developments related to macroeconomic factors and enhanced by the following:

- A high population growth rate. The total population of the Kingdom of Saudi Arabia is expected to reach about 34.3 million persons, and the percentage of people aged 29 years and younger was estimated at 47% of the total population as at the end of 2019G. CAGR is expected to reach 1.4% from 2020-2024G.
- Disposable income per capita increased at a CAGR of about 1.8% (in terms of nominal value) from 2017-2019G, and with an expected CAGR of 3.5% (in terms of nominal value) from 2020-2024G, due to general economic growth and women's empowerment in the labour market, along with the expected decline in unemployment rates.
- The continuing trend of horizontal urbanisation (with about 84% of the total population residing in cities in 2019G), and the higher number of middle- and high-income families (with the number of high-income families being expected to increase by about 40% from 2020-2024G).
- Ongoing economic reforms with a positive impact in the Kingdom of Saudi Arabia, including providing investment opportunities for the private sector in multiple economic sectors and activities, increasing investments in infrastructure, developing new economic sectors (such as the tourism and entertainment sector), and encouraging women's participation in the labour market.

In 2016, the Saudi government announced its new strategy, Vision 2030, which includes a comprehensive agenda for social and economic reform. This strategy aims to diversify the Kingdom of Saudi Arabia's economy and reduce its dependence on revenues from oil-related sectors. Vision 2030 initiatives also include, but are not limited to, stimulating the retail trade sector, increasing the number of Hajj and Umrah pilgrims, increasing the tourism sector's contribution to the GDP to 10% and increasing spending on cultural and entertainment activities from 3% to 6%. All of these initiatives contribute to the Kingdom of Saudi Arabia's economy in general, including the advertising sector.

4.8.2 The Company has a Leading Position in the Outdoor Advertising Sector in Local and Regional Markets, Ranked the World's 14th Top Advertising Company

According to Frost & Sullivan, the Company ranked as the world's 14th top outdoor advertising company in 2018G and 12th in 2019G in terms of revenue, as follows:

Table (4-28): The World's Top 16 Outdoor Advertising Companies by Revenue (2018G and 2019G):

Rank	Company	Annual Revenue 2018G SAR Million	Annual Revenue 2019G SAR Million
1	JCDecaux (France)	16,024	16,331
2	Clear Channel Outdoor (USA)	10,208	10,065
3	Outfront Media (USA)	6,008	6,683
4	Ströer (Germany)	7,009	6,679
5	Focus Media (China)	8,254	6,611
6	Lamar (USA)	6,101	6,578
7	Global Media (UK)	2,329	2,111
8	oOh!media (Australia)	1,354	1,691
9	IBG | SGI (Switzerland)	1,159	1,200
10	Metrobus (France)	1,129	1,144
11	Intersection (USA)	1,024	1,106
12	Al Arabia (Kingdom of Saudi Arabia)*	620	788
13	Clear Media (China)	1,024	784
14	Asiaray (China)	923	694
15	Ocean (UK)	263	619
16	Race Outdoor (Russia)	585	458

Source: Market study report prepared by the Market Consultant, Frost & Sullivan

*Road advertising revenue was calculated and printing revenue deducted for the Company in 2018G and 2019G

Locally and regionally, the Company is considered the largest company operating in the field of outdoor advertising in terms of revenue. Its market share is estimated at about 65.8% of total spending on Outdoor Advertising in the Kingdom of Saudi Arabia during 2019G and 62.3% in 2020G according to the market study report prepared by the Market Consultant, Frost & Sullivan.

The Company's leadership position in this sector is attributable to the following factors:

- Efficient use of the Company's financial, human and operational resources. There are about 110 teams assigned to maintain and install advertising posters distributed across various cities and regions of the Kingdom of Saudi Arabia, which enables the Company to ensure the launch of advertising campaigns across the Kingdom of Saudi Arabia as quickly as possible. The Company also owns print shops that print advertisements using the latest technologies and sizes. The Company has a division specialised in pre-printing services. All of these factors have contributed to the efficient and proper use of the Company's resources.
- The Company has extensive expertise and experience in this field, as it has been doing business in outdoor advertising since 1983G.

- The Company has long-term strategic relationships with its clients, including advertisers, agencies and buyers of advertising space, based on trust and credibility over the past decades. The Company also owns a distinctive brand in outdoor advertising recognised for its professional implementation, high quality and efficiency, supported by long decades of success in this field.
- The Company continually invests in new technologies in order to maintain its leadership position and provide advertisers with innovative solutions. For example, it adopted the strategy of using Mezah screens starting in 2018G (for more information, refer to Table 4.17 ("**Number of Billboards Owned by the Company as at 31 December2018G, 2019G and 2020G**")).
- The Company owns the largest roadside advertising network in the Kingdom of Saudi Arabia, which enables it to serve its clients in a distinctive manner, with high quality and quick service, due to the Company's wide advertising footprint that satisfies advertiser objectives. The Company's advertising network also represents a competitive advantage in that building a network the size of the Company's current network is a challenge and requires a long time. The wide geographical footprint of the Company's advertising billboards, which are distributed evenly across the Kingdom of Saudi Arabia's major cities, is one of the Company's most important competitive advantages. As at 31 December 2020G, Al Arabia had 4,942 roadside billboards and 73 indoor billboards of various shapes and types (for more information, refer to Table 4-17 ("**Number of Billboards Owned by the Company as at 31 December 2018G, 2019G and 2020G**")).

4.8.3 The Company Operates in the Outdoor Advertising Sector, which has Unique Characteristics that Fundamentally Distinguish it from all Other Advertising Methods

The outdoor advertising sector witnessed increased growth of 20% for the period between 2013G and 2019G, due to the fact that it has advantages over all other audio-visual advertising methods. None of these methods can become an alternative to outdoor advertising due to their inability to provide advertisers with the same features as roadside advertisements. For example, roadside advertising is not subject to consumers' choice or ability to determine whether to view the advertisement or not. In addition, outdoor advertisements are considered less expensive than other advertising channels. With the introduction of new digital screens that are able to collect viewing data and viewer characteristics, outdoor advertising has all the features that advertisers are looking for to increase views and grow their profits. They use and analyse available data to determine how, when and where ads are displayed according to the viewer data collected.

Advertising websites across the Kingdom of Saudi Arabia's major cities (such as Riyadh, Jeddah, Dammam, Qassim, Tabuk and Hail) give rise to a geographically balanced portfolio in terms of concentration. Therefore, the Company has the opportunity to benefit from all events, seasons and occasions wherever they are in the Kingdom of Saudi Arabia and thus increase its activity.

4.8.4 The Company's Financial Performance and Profits Dating Back Several Decades, as well as a Strong Financial and Profit Position

With the exception of a decrease in the gross profit margin from 43% in 2019G to 20% in the same period of 2020G, due to the curfew and complete shutdown in the Kingdom of Saudi Arabia to curb the spread of coronavirus (Covid-19), the Company has a strong financial position and high profit margins. The gross profit margin in the past two years (2018G to 2019G) was 30% and 43%, respectively.

The Company has demonstrated its strong financial position and ability to achieve sustainable profitability during economic recession cycles, such as the recent ones in 2016G and 2017G that affected the sector in general, by continuing to record profits in all those years. In addition, the Company has not recorded any losses to date. The Company's understanding and the Management's experience in dealing with difficult times in the market has contributed to the Company maintaining its profitability. This was achieved by reviewing costs to raise efficiency and avoid pressure on prices to maintain reasonable price levels in the long run.

In addition, expansion and growth due to its ability to invest in various opportunities available to the Company contributed to maintaining its performance and profitability. The Company is distinguished by its cash flows that are not subject to fluctuation due to debt maturities. The Company had a low debt level of 49% and 28% of the Company's total current asset value as at 31 December 2019G and 3 2020G, respectively.

4.8.5 The Company Leads Major Transformations and devolpment in the Outdoor Advertising Sector by Introducing Modern Technical Methods to Take Advantage of Information Technology in the Outdoor Advertising Sector

The Company has led and continues to contribute to finding and creating new trends in the outdoor advertising sector. For example, it is the first company to start operating digital billboards (Mezah) in the Kingdom of Saudi Arabia, such as those installed on King Fahd Road in Riyadh. This type of billboard has greatly improved the way of displays and techniques on roadsides due to the flexibility they provide to advertisers. As for the Company, this type of screen provides the ability to centralise control through a main control room to broadcast, monitor and collect all data and measurements related to advertisements, such as viewing rates, viewer impressions and viewer demographics. There is no doubt that this data is of utmost value to advertisers, as it enables them to conduct proper planning for their target segments in service of their interests.

The Company's key milestones at present include its recent launch of signing with Seventh Decimal FZ LLC for creating the Streach platform. This platform is the first smart platform of its kind in the Kingdom of Saudi Arabia that provides data related to client behaviour and categories, and competitor analysis through the use of intellectual property related to the viewing opportunity, using the location information of mobile smart devices and paths, which have a heavy concentration of users. This platform will enable advertisers to conduct advertising campaigns whose effectiveness can be measured through data collected on viewers' characteristics and behaviours.

4.8.6 The Company has a Management Team with Extensive Experience in Outdoor Advertising, Led by the Founding Family

The Company has a management team with extensive experience in outdoor advertising. The management team includes members of the founding family of the Company who have been working to keep the work culture consistent with family values, fulfil their commitment towards the Company and achieve its objectives. The Company has assumed a governance role, including the powers of the Board of Directors and its committees, in accordance with the relevant instructions. For more information, refer to Section 5-9 ("**Corporate Governance**").

The management team is highly skilled and has extensive knowledge of the Kingdom of Saudi Arabia and the outdoor advertising sector at the regional level, including market trends and the competitive environment in this sector. The management team is also well-positioned to lead the Company to implement its future plans for growth and expansion.

4.9 The Company's Strategy

4.9.1 Maintain its Leading Position in the Market to Help the Company Stay at the Forefront of Companies Operating in its Field

4-9-1-1 Maintain and Increase Market Share in Order to Enhance Revenues and Profits

According to the market study report prepared by the Market Consultant (Frost & Sullivan), the Company has acquired a large share of the outdoor advertising market in the Kingdom of Saudi Arabia, estimated at 65.8% of total spending on outdoor advertising in 2019G and 62.3% in 2020G. The Company seeks to maintain and enhance this share by utilising its competitive advantages to win tenders offered by secretariats and municipalities as well as the offers provided to the relevant companies in the private sector, in accordance with its objective to acquire a larger share of the outdoor advertising market, whether roadside advertising or indoor advertising.

The Company also intends to enhance its presence within additional channels in order to increase its market share. Examples of these channels are sites for public transport in the Kingdom of Saudi Arabia, commercial centres (malls) and gas stations. The Company has already started expanding its activity in these locations. It has entered and won several locations within malls and commercial centres such as Riyadh Park, Riyadh Front and The Zone.

4-9-1-2 Raise the Operational Efficiency of the Company's Integrated Business Model and Increase Revenues from Support Services Within that Model

The Company's strategy adopts an integrated business model for its activities that includes providing advertising websites, marketing, printing, implementation, maintenance and operation. All of these activities support the Company's activities. The adoption of this strategy has earned the Company a competitive advantage compared to other companies operating in the outdoor advertising market in the Kingdom of Saudi Arabia. Operating costs decreased and advertising materials are secured through its print shops on time and in accordance with the required specifications. In addition, this has facilitated a smooth workflow for the Company in the advertising sector without any material effect from external sources on any stage of the advertising activities. While digital billboards have become an essential part of the Company's business, non-digital billboards represent an important part of the services provided to clients. Accordingly, all aspects and activities of the Company's current system comprise an important part of the Company's strategy in the next stage.

In order to make the best use of its integrated business model, the Company seeks to increase its printing department sales to other parties in order to diversify its sources of income and reduce operating costs in the advertising sector.

4-9-1-3 Maintain and Improve the Quality of Services by Introducing the Latest Technologies in the Field of Outdoor Advertising

The Company is committed to maintaining the quality of services and products provided to its clients. The Company uses the most up-to-date technologies in the outdoor advertising sector and advanced printing techniques; the Company imported the most advanced advertising billboards from the best international companies specialised in this field (such as Prisma Flex Company in France and Daktronics Company in the USA). In addition, the Company imported printers from the best international companies specialised in this field (such as Futec in the USA and Dorst in Germany). This results in highly competitive and high-quality service.

There is no doubt that the Company's new digital billboards, which were introduced in 2018G, have led to an unprecedented qualitative leap in this field in the Kingdom of Saudi Arabia. These include billboards that were installed on King Fahd Road in Riyadh, which possess many advantages. For example, they are operated electronically with very high quality and high definition, even in unstable weather conditions such as fog or dust on the horizon. In addition, the Company centrally controls these billboards from the Company's control room. The Company can immediately ascertain the status of billboards in the event of breakdown and thus perform the necessary maintenance without delay. The Company is able to display a large number of advertisements in a short time, which increases capacity and thus increases its revenues due to its operational capacity and utilisation rate.

4-9-1-4 Increase Sales through Direct Marketing to Strategic Clients

The Company works with advertisers directly and indirectly through buyers of advertising spaces who provide marketing services for their clients, including advertisers, advertising agencies and others. This has helped the Company consolidate its relationships with such parties and benefit from their visions and future aspirations in the outdoor advertising market in order to develop the services provided by the Company in this sector. Revenues from indirect sales to advertisers account for the largest portion of total revenue. The Company's strategy is also to increase revenues through direct marketing to clients, especially strategic clients characterised by large annual spending on outdoor advertising. The Company expects that these clients will continue allocating high spending budgets.

4.9.2 Maintain the Company's Distinguished Financial Position and Establish Resistance to Recession Stages in Economic Cycles through Proper Advance Planning

The Company has maintained a strong financial position and a high level of profitability over the past decades. The Company has demonstrated its ability to maintain profitability and achieve high profit margins throughout the economic cycle, which reflects its strength. The Company seeks to maintain and enhance this qualitative capacity by efficiently utilising resources as well as exploiting its distinct market capabilities in negotiating contracts compared to its local and regional counterparts. The Company signed a fifteen (15) year contract with the Diplomatic Quarter Development Authority in 2019G, well as an agreement with Zaha Hadid Architects to develop digital media and billboards in the Diplomatic Quarter. The term of this contract is one of the main fruits of the Company's wide-ranging capabilities in the field of outdoor advertising.

There is no doubt that advertising activity in general is fundamentally subject to and affected by economic cycles. Advertisers tend to rationalise spending on advertisements, including outdoor advertising in times of economic crises and recession. Therefore, the Company is keen to be proactive by diversifying the sources of income from its advertising activity, whether geographically in the Kingdom of Saudi Arabia or by type of clients (direct and indirect clients), as well as by playing an active role during seasons, events, etc.

4.9.3 Expand the Field of Information Technology by Using Data to Grow the Company's Business and Provide Effective Information Solutions to Clients that Serve their Goals, Help them Scientifically Reach their Clients and Analyse the Available Consumer Data

Investing in digital billboards is the first building block for expanding the use of information technology based on the use of data in developing the Company's business.

Smart Digital billboards have several characteristics that allow for gathering important data on the advertising, viewing, and demographics of target audiences.

The Company seeks to expand its presence in this field through the optimal use of data. The Company has started by contracting to establish Streach platform, mentioned previously in this section. This platform is the first smart platform of its kind in the Kingdom of Saudi Arabia that provides data related to clients' behaviour and categories, and competitor analysis through the use of intellectual property related to viewing opportunity, using the location information of mobile smart devices and paths, which have a heavy concentration of users. This platform will enable advertisers to conduct advertising campaigns whose effectiveness can be measured through the data collected on viewers' characteristics and behaviours.

This platform is considered a new qualitative leap in this field that is expected to play a fundamental role in the growth of the Company's business in general. In particular, it will support the growth of revenues and maintain the Company's strength in the market. These qualitative leaps support the Company's competitive strength in this field.

4.9.4 Consider Profitable Alliances and Partnerships that Support Geographical Expansion Locally and Regionally, in Order to Enhance the Company's Position, Maintain its Leadership and Benefit from Global Experiences in this Field

The Company intends to bolster cooperation with key players (such as advertising media buyers and agencies) with more experience in the field of outdoor advertising at the regional and international levels. Being the largest local and regional company and one of the largest companies in the world, the Company believes that the outdoor advertising market is moving in positive directions. This will result in providing many investment opportunities, such as those obtained by the Company in the Diplomatic Quarter in Riyadh.

Given the Company's position in the outdoor advertising sector, the opportunities to benefit from Vision 2030 are great and promising. This is seen in its ability and experience operating large scale projects in the public and private sectors. There is no doubt that all of the current investments that the company has already started operating since the year 2019G (such as digital billboards) are consistent with this objective. Since 2016G, when the Kingdom of Saudi Arabia's Vision 2030 was announced, the management's view is that the Company is the one that is the most capable of achieving the Vision 2030 objectives in this important sector.

One of this strategy's fruits was the recent entry of MBC Group Holdings Ltd. as a Substantial Shareholder in the Company with a 5% share.

4.10 Research and Development

Given the nature of its activity, neither the Company nor its subsidiary have a research and development policy for new products. The Company does not produce any advertising media, and relies on advertising media imported from abroad or purchased locally. However, the Company follows all new developments in the advertising industry, especially in outdoor advertising. The Company is keen to maintain its presence in international exhibitions such as Europe's Drupa Expo and other exhibitions. The Company also participates in International Vibe Organisation conferences that deal with all aspects of the outdoor advertising industry.

4.11 Company Branches and Maintenance and Installation Centres

4.11.1 Company Branches

The Company currently has five branches inside the Kingdom of Saudi Arabia. The following table illustrates the details of these branches:

Table (4-29): Arabian Contracting Services Company Branches

Branch	Commercial Register No.	City	Expiry Date	Activity (as per the Commercial Register)	Actual Activity
Branch of Arabian Contracting Services Company (for the advertising sector)	1010062303	Riyadh	30/05/1443H (corresponding to 3 January 2022G)	Promotion and Advertising	Advertising Business
Al Arabia Company Rawiyya Printing Press	1010057812	Riyadh	04/02/1447H (corresponding to 30 July 2025G)	Printing, printing advertisements, posters, and informational bulletins, printing commercial stationary and invoices, photocopier-based printing, gravure and photoengraving on metal or plastic sheets (Zincography), and advertising	Silk screen printing, offset printing, digital printing, trading in raw materials used for printing and advertising billboards
Ain Al Arabia Advertising Company	1010500526	Riyadh	18/04/1445H (corresponding to 2 November 2023G)	Wholesale of gifts and accessories, advertising, organising and managing exhibitions and conferences	Indoor Advertising
Al Arabia Company Rawiyya Printing Press Jeddah	4030275525	Jeddah	29/10/1443H (corresponding to 30 May 2022G)	Printing, book printing, and advertisement, poster and informational bulletin printing,	Digital Printing
Arabian Contracting Services Company (Jeddah advertising sector)	4030058296	Jeddah	09/03/1444H (corresponding to 5 October 2022G)	Promotion and Advertising	Advertising Business

Source: The Company

4.11.2 Company Centres

One of the Company's strengths in outdoor advertising is its presence across the Kingdom of Saudi Arabia, which help it perform faster and provide distinctive services that meet client needs and desires. Over the past years, the Company has built a wide network of administrative and operational centres (which include maintenance and installation of billboards and advertisements) in various major regions around the Kingdom of Saudi Arabia. There were about 27 centres as at 31 December 2020G.

The centres' responsibilities can be summarised as the installation of billboards and posters and maintenance work related to advertising campaigns. There are about 110 teams assigned to maintain and install advertising posters distributed across various cities and regions of the Kingdom of Saudi Arabia. This enables the Company to ensure the implementation of advertising campaigns everywhere in the Kingdom of Saudi Arabia as soon as possible. Each maintenance team consists of one to three members. All regions of the Kingdom of Saudi Arabia are covered as shown in the following two tables:

Table (4-30): Company Centres as at 31 December 2020G

Province	No. of Centres	No. of Employees - Maintenance Department	Provinces Covered by Centres
Riyadh Province	3	223	Riyadh, Al-Kharj, Al Dir'iya, Al-Zulfi
Western Province	5	96	Jeddah, Mecca, Madinah, Yanbu
Qassim Province	6	15	Ar Rass, Unayzah, Buraydah, Bukayriyah, Hail
Eastern Province	5	20	Dammam, Khobar, Jubail, Al-Ahsa, Hafar Al-Batin, Al-Qatif
Northern Province	2	4	Tabuk, Arar, Qurayyat
Southern Province	6	16	Khamis Mushait, Abha, Jazan, Najran, Taif, Al Baha

Source: The Company

4.12 Company Assets Outside the Kingdom of Saudi Arabia

The Company's assets outside the Kingdom of Saudi Arabia are limited to its wholly owned subsidiary, Al Arabia Out of Home Advertising. As at 31 December 2020G, the net book value of the subsidiary's assets was SAR 286,341 which represents less than 0.3% of the net recorded value of Al Arabia's total assets. It should be noted that the Company did not have any assets outside the Kingdom of Saudi Arabia in 2018G, 2019G and 2020G. Note that the Company's assets are located in the United Arab Emirates. The activities of this subsidiary are represented in it being a representative office of the Company that markets the Company's advertising spaces to advertising agencies and media buyers in the UAE without entering into contracts with any of these parties as the contracts are made with the Company directly.

4.13 Corporate Social Responsibility

The Company believes that social responsibility is a national and human duty to society. Therefore, it promotes and participates in real community work on the basis of commitment to society. This commitment is fulfilled by actively and seriously participating in social responsibility programs and activities that serve citizens and charitable, humanitarian, social and development institutions. Accordingly, since its inception, the Company has participated in and supported many charitable, social, humanitarian and development initiatives in the Kingdom of Saudi Arabia. Following are some such initiatives in the last three years:

Table (4-31): The Company's Social Responsibility Activity Initiatives

Activity	Regulator	Company Initiative	Year
Armed Forces Exhibition for Support of Local Manufacturing	Ministry of Defence	Advertising Campaign	1439H
Golf Tournament	King Abdullah Economic City	Advertising Campaign	1440H
International Aviation Conference	General Authority of Civil Aviation	Advertising Campaign	1440H
Misk Media Forum	Misk Foundation	Advertising Campaign	1440H
Jeddah Misk Foundation	Misk Foundation	Advertising Campaign	1440H
Makkah Economic Forum	Mecca secretariat	Advertising Campaign	1440H
The 75th Anniversary Celebration of the Jeddah Chamber	Jeddah Chamber of Commerce	Advertising Campaign	1440H
Traffic Safety Forum	Ministry of Interior – Traffic	Advertising Campaign	1440H
King Abdul Aziz Falconry Festival	Saudi Falcons Club	Advertising Campaign	1440H
Early Detection Campaign	Zahra Association	Advertising Campaign	1440H
Riyadh Chamber Anniversary	Riyadh Chamber	Advertising Campaign	1440H
Alzheimer's Campaign	Saudi Alzheimer's Disease Association	Advertising Campaign	1439H
Step Ahead Career Fair	Glowork	Advertising Campaign	1441H
Saudi Media Forum	Saudi Journalists Association	Main Sponsor	1441H
Riyadh Economic Forum	Riyadh Chamber	Main Sponsor	1439H
Our Orphans Campaign	Orphans Charitable Association	Main Sponsor	1440H
BIBAN	Monshaat	Advertising Campaign	1441H
Alzheimer's Campaign	Saudi Alzheimer's Disease Association	Advertising Campaign	1442H
Early Detection Campaign	Zahra Association	Advertising Campaign	1442H
G20 Advertising	G20 Saudi Secretariat	Advertising Campaign	1442H

Source: The Company

4.14 Employees

The Company has adopted an employment policy aimed at building and strengthening the relationship between the Company and its employees. This comprehensive policy covers employment, work schedules, health care, social insurance benefits, salaries and other allowances such as housing, transportation and bonuses.

4.14.1 Number of Employees

As at 31 December 2020G, the Company and its subsidiaries had 374 employees of various nationalities, with a Saudization rate of 21.93% all working on a full-time basis. The following table illustrates the distribution of employees by department and Saudization rate.

Table (4-32): Number of Employees by Department and Saudization Rate as at 31 December 2018G, 2019G and 2020G:

Year Ended 31 December	2018G				2019G				2020G			
Section/Department	Saudi	Non-Saudi	Total	Saudization Rate	Saudi	Non-Saudi	Total	Saudization Rate	Saudi	Non-Saudi	Total	Saudization Rate
Maintenance and Operation Department	7	177	184	3.80%	5	171	176	2.84%	7	173	180	3.89%
Customer Service	5	0	5	100.00%	4	0	4	100.00%	4	0	4	100.00%
Digital Marketing	0	1	1	0.00%	0	1	1	0.00%	0	0	0	0.00%
Financial Department	1	7	8	12.50%	1	6	7	14.29%	1	7	8	12.50%
General Administration	3	0	3	100.00%	5	1	6	83.33%	6	1	7	85.71%
Senior Management	1	1	2	50.00%	1	1	2	50.00%	2	1	3	66.67%
Human Resources	9	2	11	81.82%	9	2	11	81.82%	11	0	11	100.00%
Information Technology	0	1	1	0.00%	0	2	2	0.00%	0	2	2	0.00%
Marketing Department	8	4	12	66.67%	1	3	4	25.00%	1	2	3	33.33%
Operations Department	1	4	5	20.00%	1	4	5	20.00%	1	4	5	20.00%
Special Division/Ain Sales Branch	0	0	0	0.00%	0	2	2	0.00%	0	2	2	0.00%
Projects Department	6	3	9	66.67%	7	3	10	70.00%	6	3	9	66.67%
Procurement and Logistics	2	2	4	50.00%	2	2	4	50.00%	3	2	5	60.00%
Sales Department	6	12	18	33.33%	3	13	16	18.75%	6	12	18	33.33%
Support	2	7	9	22.22%	0	7	7	0.00%	0	7	7	0.00%
Riyadh Al-Rawiyya Presses Company	27	75	102	26.47%	23	78	101	22.77%	23	59	82	28.05%
Jeddah Al-Rawiyya Presses Company	8	18	26	30.77%	11	17	28	39.29%	11	17	28	39.29%
Total	86	314	400	21.50%	73	313	386	18.91%	82	292	374	21.93%

Source: The Company

As at 31 December 2020G, the subsidiary in the UAE had nine (9) employees. The subsidiary had no employees prior to 2020G.

4.14.2 Saudization

The Nitaqat program was approved pursuant to His Excellency the Minister of Labour's Decision No. 4040 dated 12/10/1432H (corresponding to 10 September 2011G), pursuant to Council of Ministers Resolution No. 50 dated 21/5/1415H (corresponding to 27 October 1994G), and implementation of the "Nitaqat" program commenced on 12/10/1432H (corresponding to 10 September 2011G). The Ministry of Human Resources and Social Development established the Nitaqat program to encourage institutions to employ Saudi citizens. Through the "Nitaqat" program, a company's performance is evaluated based on specific categories (classifications). These include the Platinum category, the Green category (which is subdivided, into Low, Middle and High), the Yellow category, and the Red category. The categories with a high Saudization rate, the Platinum and Green categories, are dealt with favourably, while the Red category is dealt with firmly, and deadlines are extended for the Yellow category to allow companies to remedy any shortcomings. The "Nitaqat" program mechanism deals with establishments according to their subsidiaries; so, if an establishment operates two different fields of activity, such as building and construction, in addition to printing, publishing and media activities, then MHRSD deals with this institution as if it were two independent entities, one in building and construction and the other in printing, publishing and media, regardless of the establishment's main activity or the number of its branches. If an establishment operates in one activity and has more than one branch in the same activity, then MHRSD will deal with that establishment as if it were one entity that includes its branches operating in the same activity. Accordingly, the establishment is treated by MHRSD as a single legal entity that represents all the branches that carry out the same activity. As at 01/06/1441H, all establishments that fell within the Yellow category were classified as Red under a Minister of Human Resources and Social Development resolution published on the Ministry's website cancelling the Yellow category to incentivise entities in the Yellow category to gain Green or Platinum status.

According to MHRSD Resolution No. 939 dated 20/6/1438H, to be classified in the Green category, establishments operating in the construction and building sector must, at a minimum, achieve the percentages shown below.

Following is a summary of the classification of establishments operating in the construction and building sector according to each category of the "Nitaqat" program.

Table (4-33): Summary of the Classification of Establishments Operating in the Construction and Building Sector under Each "Nitaqat" Program Category

Construction and Building											
Number of Employees		Saudization per the Saudization Rate Announced by MHRSD									
From	To	Red		Low Green		Medium Green		High Green		Platinum	
6	49	0%	8%	9%	12%	13%	16%	17%	21%	22%	100%
50	99	0%	7%	8%	10%	11%	13%	14%	15%	16%	100%
100	199	0%	7%	8%	10%	11%	13%	14%	15%	16%	100%
200	499	0%	7%	8%	10%	11%	13%	14%	15%	16%	100%
500	2999	0%	7%	8%	10%	11%	13%	14%	15%	16%	100%
3000	_	0%	7%	8%	10%	11%	13%	14%	15%	16%	100%

The Platinum category provides several incentives for the employer, the most significant of which include: issuance of new visas for any profession requested, issuance of additional visas, the ability to change the profession of expatriate labourers (except those excluded by Council of Ministers' resolutions or Royal Decrees), the ability to renew work permits for expatriate labourers who work for the employer and transferring services of expatriate labourers from any area according to the rules of such service.

The High and Medium Green category provide several incentives for the employer, the most significant of which can include: applying for new visas, changing the profession of workers to other professions (except for those exempted by Council of Ministers' resolutions or by Royal Decrees) and the ability to renew work permits for expatriate workers who work for the employer.

The (Low) Green category provides incentives for the employer, the most significant of which include: the ability to change the professions of expatriate workers that work for the employer to other professions (except for those exempted by Council of Ministers' resolutions or Royal Decrees), the ability to renew work permits for expatriate workers who work for the employer and the ability for the employer to transfer the services of expatriate workers to the Low Green category, if the worker is transferred from an establishment with Low Green category or below, or the transfer does not require the approval of the expatriate worker's current employer. However, an employer in the Low Green category may not apply for new visa.

As for the Red category, the most significant consequences of falling into this category are as follows: the employer may not change their expatriate employees' professions, transfer expatriate employees, obtain work permits for new expatriate employees, open a file for a new institution or branch or renew work permits for employees who work for the employer.

The Saudization plan prepared by the Company adopts two direct approaches:

1) direct appointment of some qualified and experienced Saudi nationals at the Company's various sites and departments.
2) a training program leading to employment in partnership with the Human Resources Development Fund. The Company adopts the Fund's strategy to support training and qualification plans for Saudi cadres, which contribute to increasing competencies and direct improvement of work quality.

The Company decided to cooperate with the Human Resources Development Fund to reach the following objectives as a strategic plan to increase production and reduce costs. These objectives are summarised as follows:

- Contribute to raising the Company's Saudization rate.
- Develop a support mechanism that contributes to reducing training and qualification costs.
- Prepare national cadres in the Company's various domains.

For more information, refer to Table 4.32 ("**Number of Employees by Departments and Saudization Rate as at 31 December 2018G, 2019G and 2020G**").

4.15 Business and Activity of the Company

The Board of Directors declares that there has been no suspension or interruption that would have a negative and material effect on the Company's business or that of its subsidiaries during the twelve-month period preceding the date of this Prospectus. The Board of Directors further declares that the Company has no intention of making fundamental changes to the Company's activities in the future.

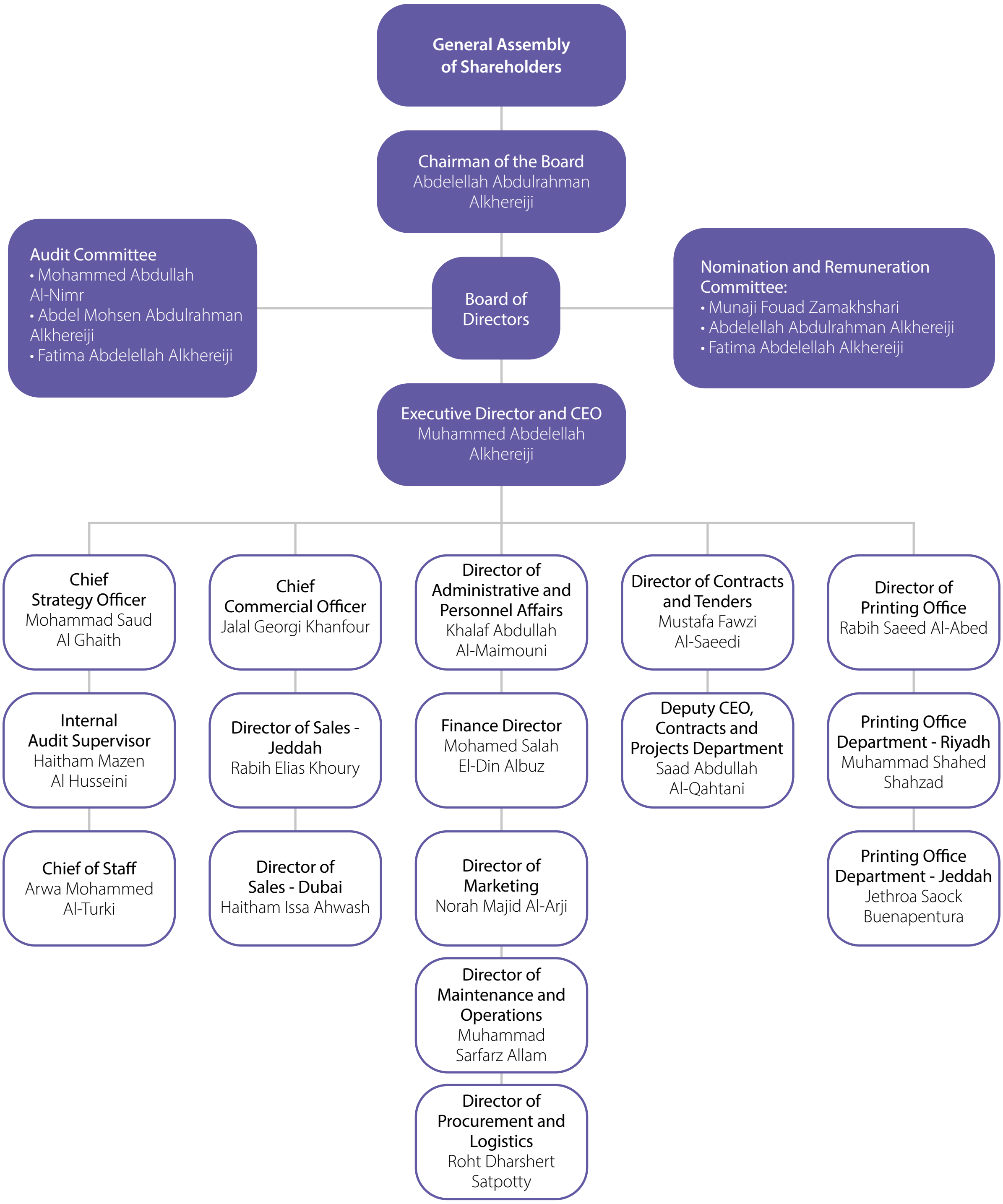
5- The Company's Organisational Structure and Governance

5.1 Overview of the Company's Organisational Structure

The Company's Shareholders entrust the Board of Directors with responsibility for the general direction, supervision and control of the Company. The Board of Directors entrusts the Company's Senior Management, especially the CEO, with the responsibility of managing the Company's general daily business. The Board of Directors also grants the CEO the authority to delegate some or all of his powers to any other party.

The following chart sets out the Company's organisational structure as at the date of this Prospectus.

The Company's Organisational Structure



Source: The Company

Table (5-1): The Company's Direct Ownership Structure Pre- and Post-Offering

Shareholder's Name	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)
Abdelellah Abdulrahman Alkhereiji[5]	12,500,000	125,000,000	25%	-	-	-
Engineer Holding Group Company[6]	35,000,000	350,000,000	70%	32,500,000	325,000,000	65%
MBC Group Holdings Ltd.	2,500,000	25,000,000	5%	2,500,000	25,000,000	5%
The Public	-	-	-	15,000,000	150,000,000	30%
Total	**50,000,000**	**500,000,000**	**100%**	**50,000,000**	**500,000,000**	**100%**

Source: The Company

5.2 Board of Directors

5.2.1 Board Members

According to the Company's Bylaws, the Board of Directors consists of six (6) members appointed by the General Assembly by cumulative vote. The duties and responsibilities of the Board of Directors shall be determined pursuant to the Companies Law, Corporate Governance Regulations, Bylaws, and Internal Corporate Governance Manual. The membership term of each Board Member, including the Chairman of the Board, shall be a maximum of three (3) years. As an exception, the Conversion General Assembly appointed the first Board of Directors for a term of five (5) years.

As at the date of this Prospectus, the Board of Directors consists of six (6) members.

The following table sets out the names of the Board Members as at the date of this Prospectus:

Table (5-2): Board Members

No.	Name	Position	Nationality	Status	Independence	Date of Appointment	Direct Ownership (%)		Indirect Ownership (%)	
							Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1.	Abdelellah Abdulrahman Alkhereiji	Chairman of the Board	Saudi	Non- executive	Non-independent	2015G	25%	-	35%[7]	32.5%[8]
2.	Abdel Mohsen Abdulrahman Alkhereiji	Vice Chairman	Saudi	Non- executive	Non-independent	2020G	-	-	-	-
3.	Muhammad Abdelellah Alkhereiji	Managing Director	Saudi	Executive	Non-independent	2015G	-	-	7.7%[9]	7,1%[10]
4.	Samuel James Killion Barnett	Member	British	Non- executive	Non-independent	2021G	-	-	-	-
5.	Munaji Fouad Zamakhshari	Member	Saudi	Non- executive	Independent	2020G	-	-	-	-
6.	Muhammad Abdullah Al-Nimr	Member	Saudi	Non- executive	Independent	2020G	-	-	-	-

Source: The Company

The current Secretary of the Company's Board of Directors is Mustafa Fawzi Al-Saeedi, who does not own any shares in the Company.

5 Selling Shareholder
6 Selling Shareholder
7 Prior to the Offering, Abdelellah Abdulrahman Alkhereiji indirectly owns 35% as a result of a 50% ownership percentage in Engineer Holding Group Company, which directly holds 70% of the Company's Shares.
8 Post-Offering, Abdelellah Abdulrahman Alkhereiji will indirectly own 32.5% as a result of a 50% ownership percentage in Engineer Holding Group Company, which will directly hold 65% of the Company's Shares after the Offering.
9 Prior to the Offering, Mohammed Abdelellah Alkhereiji indirectly owns 7.7% as a result of a 11% ownership percentage in Engineer Holding Group Company, which directly holds 70% of the Company's Shares.
10 Post-Offering, Mohammed Abdelellah Alkhereiji will indirectly own 7.1% as a result of a 11% ownership percentage in Engineer Holding Group Company, which will directly hold 65% of the Company's Shares after the Offering.

5.2.2 Board Responsibilities

The responsibilities of the Board Chairman, Board Members, the CEO and the Board Secretary include the following:

5-2-2-1 Board Members

Pursuant to the Companies Law, the Company's Bylaws, and the Internal Corporate Governance Manual, the Board of Directors shall have the broadest powers to manage the Company's daily business. According to the Internal Corporate Governance Manual, the Board of Directors shall:

- Approve strategic trends and main objectives and supervise implementation thereof, including:
  - Developing, reviewing, and guiding the Company's comprehensive strategy, main business plans and risk management policy.
  - Determining the optimal capital structure, strategies and financial goals of the Company and approving annual budgets.
  - Supervising the Company's main capital expenses and owning and disposing of assets.
  - Setting performance goals and monitoring the Company's overall execution and performance.
  - Periodically auditing and approving the Company's organisational and functional structures.
- Develop internal monitoring controls and systems and supervise their implementation, including:
  - Developing a written policy that regulates conflicts of interest and addresses potential conflicts of the Board Members, executive management and shareholders, including misuse of the Company's assets and facilities and misconduct resulting from dealings with Related Parties.
  - Ensuring the integrity of financial and accounting systems, including systems related to preparing financial reports.
  - Ensuring the implementation of control systems suitable for risk management by determining a general assessment of risks the Company may face and presenting them transparently.
  - Reviewing the effectiveness of the Company's internal control procedures on an annual basis.
  - Preparing and approving the Company's powers matrix.
- Develop corporate governance regulations that do not conflict with the Corporate Governance Regulations issued by the Capital Market Authority, and generally supervise such regulations, monitor the effectiveness thereof, and amend them when necessary.
- Develop and implement clear and specific policies, standards and procedures for board membership after obtaining the General Assembly's approval.
- Develop a written policy to regulate relationships with stakeholders in order to protect them and preserve their rights. In particular, this policy shall include:
  - Mechanisms for compensating stakeholders if their legally provided and contractually protected rights are violated.
  - Mechanisms for settling complaints that may arise between the Company and stakeholders.
  - Suitable mechanisms for maintaining good relationships with clients and suppliers and protecting the confidentiality of information connected thereto.
  - Code of conduct governing the Company's managers and employees that is in line with proper professional and ethical standards and that regulates their relationship with stakeholders, provided that the Board of Directors establishes mechanisms for implementing and abiding by these rules.
  - Policies and procedures that ensure that the Company respects laws and regulations and discloses essential information to shareholders, creditors and other stakeholders.

5-2-2-2 Chairman of the Board

The main responsibility of the Chairman of the Board of Directors is to lead the Board and facilitate constructive contributions and initiatives from all Board Members to ensure that the Board effectively performs its functions as a whole through the fulfilment of its duties and responsibilities.

- Pursuant to the Companies Law and the Company's Bylaws, the Chairman of the Board has the broadest powers to represent the Company before all government entities. Under the Corporate Governance Regulations, the Board Chairman's chief responsibilities include:
- Ensuring that the Board Members receive timely, complete, clear, correct and non-misleading information.
- Ensuring that the Board of Directors discusses all key issues in an effective and timely manner.
- Representing the Company before third parties in accordance with the Companies Law, its Implementing Regulations, and the Company's Bylaws.
- Encouraging Board Members to effectively carry out their duties to the benefit of the Company.
- Ensuring availability of effective communication channels with shareholders and communicating their opinions to the Board of Directors.
- Encouraging constructive relationships and effective participation between the Board of Directors and the executive management and executive, non-executive and independent members, and creating a culture that encourages constructive criticism.
- Preparing Board meeting agendas, considering any issue raised by a Board Member or the auditor and consulting with the Board Members and the Managing Director when preparing the Board agenda.
- Holding regular meetings with non-executive members without any Company executives in attendance.
- Informing the Ordinary General Assembly, when it convenes, of business and contracts in which a Board Member has a direct or indirect interest.

The Chairman's responsibilities also include being the official Board spokesperson. The Chairman is also the main link between the Management and the Board.

The Chairman's duties also include managing the annual general meetings and assuming the main role in the Company's relationship with any of the Company's stakeholders.

5-2-2-3 Managing Director and CEO

The Company has a Managing Director and CEO who represent shareholders in overseeing the Company's daily activities, guiding the Management and reviewing important decisions before they are referred to the Board committees. Pursuant to the Company's Bylaws, the Managing Director and the CEO have broad powers to represent the Company before various government entities. According to the Internal Corporate Governance Manual, the main responsibilities of the Managing Director and CEO include the following:

- implementing the Company's internal policies and rules approved by the Board;
- implementing internal control systems and procedures, and generally overseeing them;
- implementing the Company's Corporate Governance rules effectively, and proposing amendments thereto if needed;
- implementing policies and procedures to ensure the Company's compliance with the laws and regulations and its obligation to disclose material information to shareholders and stakeholders;
- providing the Board with the information required to exercise its competencies;
- proposing the policy and types of remuneration granted to employees;
- preparing periodic financial and non-financial reports on the progress made in the Company's business in light of the Company's strategic plans and objectives and presenting such reports to the Board;

- managing the daily business and activity of the Company, in addition to managing its resources in the most appropriate form in accordance with the Company's objectives and strategies;
- participating effectively in building and developing a culture of ethical values within the Company;
- implementing internal control and risk management systems, verifying that such systems are effective and efficient and ensuring compliance with the level of risk approved by the Board;
- proposing and developing internal policies related to the Company's business, including specifying the duties, competencies and responsibilities assigned to the various organisational levels;
- proposing a clear policy to delegate tasks to Senior Executives and the method for implementing such policy; and
- proposing the powers to be delegated thereto and the procedures for adopting the resolution and the period of delegation, provided periodic reports are submitted to the Board on his exercise of such powers.

5-2-2-4 Board Secretary

The Secretary of the Board of Directors shall be responsible for organising Board meetings. Under the Internal Corporate Governance Manual, the Secretary's main responsibilities include the following:

- documenting Board meetings and preparing the minutes thereof;
- keeping the reports submitted to the Board and the reports prepared by it;
- providing Board members with the agenda of the Board meeting and related papers, documents and information and any additional documents or information related to the topics included in the agenda requested by any Board member;
- ensuring that Board members comply with the procedures approved by the Board;
- notifying Board members of the dates of the Board's meetings within sufficient time prior to the date set for the meeting;
- submitting the draft minutes to the Board members for their opinions prior to signing them;
- ensuring that Board members promptly receive a full copy of the minutes of the Board's meetings and information and documents related to the Company; and
- providing assistance and advice to Board members.

5.2.3 Biographies of Board Members and Board Secretary

An overview of the expertise, qualifications and past and present positions of each Board Member and the Board Secretary.

5-2-3-1 Abdelellah Abdulrahman Alkhereiji

Age:	63 years
Nationality:	Saudi
Current Position:	Chairman (non-executive/non-independent)
Date of Appointment:	15 May 2006G
Educational Qualifications:	• Bachelor's degree in Architectural Engineering, Cairo University, Arab Republic of Egypt, 1977G.
Current Executive Positions:	• General Manager of Alkhereiji Office for Engineering Consultations and Soil Testing Laboratory, a Saudi sole establishment operating in the engineering and profession sector (1990G–present).

Previous Executive Positions:	• Assistant General Manager of Al Rasheed Engineering Office, a Saudi sole establishment operating in the field of engineering consultancy (1978G–1986G). • General Manager of Al Arabia for Al-Rawiyya Presses, a Saudi limited liability company operating in the media and publishing sector (1985G–2006G). • General Manager of Arabian Contracting Services Company, a Saudi limited liability company operating in the media and publishing sector (1984G–2006G). • General Manager of Al-Toroq Advertising Est., a branch of House of Skill Trading & Contracting Company operating in the advertising sector (1992G–2014G). • General Manager of High-End Hotels Company, a Saudi limited liability company operating in the tourism and hotel sector (2008G–2009G). • General Manager of House of Skill Trading & Contracting Company, a Saudi limited liability company operating in the field of contracting (1990G–1995G). • CEO and Managing Director of Arabian Contracting Services Company, a Saudi joint stock company operating in the media and publishing sector (2010G–2015G).
Previous Memberships	• Member of the Media and Advertising Committee at the Chamber of Commerce and Industry in Riyadh (1988G–2011G). • Member of the National Advertising Committee at the Council of Chambers of Commerce in Riyadh (2000G–2011G). • Vice Chairman of the Board of Directors of the Company (2010G–2015G).

5-2-3-2 Abdel Mohsen Abdulrahman Alkhereiji

Age:	65 years
Nationality:	Saudi
Current Position:	Vice Chairman (non-executive/non-independent)
Date of Appointment:	15 July 2020G
Educational Qualifications:	• Bachelor's degree in Foreign Trade, Helwan University in Cairo, Arab Republic of Egypt, 1974G.
Current Executive Positions:	• General Manager of Elegant Restaurants Company, a Saudi limited liability company operating in the food sector (2000G–present).
Previous Executive Positions:	• General Manager of Makhsos Wholesale and Retail Trade and Clothing Company, a Saudi limited liability company operating in the retail sector (2003G–2010G). • General Manager of Mashrabiya Corporation for Electrical and Mechanical Contracting, a Saudi limited liability company operating in the contracting and industry sector (1980G–1998G). • General Manager of Khaled Abdul Rahman Alkhereiji Trading and Contracting Corporation, a Saudi individual establishment operating in the construction and contracting sector (1978G–1980G). • Assistant Executive Director of Kanoo Company in Riyadh, a Saudi limited liability company operating in the trade and contracting sector (1976G–1978G).
Previous Memberships	• Chairman of the Board of Directors of Arabian Contracting Services Company, a Saudi joint stock company operating in the media and publishing sector (2010G–2015G).

5-2-3-3 Muhammad Abdelellah Alkhereiji

Age:	36 years
Nationality:	Saudi
Current Position:	Managing Director (executive/non-independent)
Date of Appointment:	15 May 2006G
Educational Qualifications:	• Bachelor's degree in Financial Management, Prince Sultan University in Riyadh, Kingdom of Saudi Arabia, 2006G. • Executive Master of Business Administration (EMBA), City University of London, UK, 2013G.

Current Executive Positions:	• General Manager of High-End Hotels Company, a Saudi limited liability company operating in the tourism and hotel sector (2009G–present). • General Manager of House of Skill Trading and Contracting Company, a Saudi limited liability company operating in the contracting and real estate sector (2009G–present). • CEO of Arabian Contracting Services Company, a Saudi joint stock company operating in the media and publishing sector (2015G–present).
Previous Executive Positions:	• Executive Vice President of Arabian Contracting Services Company (2009G–2015G). • Director of the Development Department, Arabian Contracting Services Company (2006G–2009G). • Founder of Saudi Media Company, a Saudi limited liability company operating in the media and publishing sector (2019G). • Financial analyst at Deutsche Bank, a German public shareholding company operating in the banking sector in London (2006G–2007G). • Associate of Deutsche Bank, a German public shareholding company operating in the banking sector, Dubai branch (2007G–2009G).
Other current memberships:	• Chairman of the Board of Directors of Saudi Media Company, a Saudi limited liability company operating in the media and publishing sector (2020G–present). • Member of the Marketing Committee at the Chamber of Commerce and Industry in Riyadh (2014G–present). • Member of the Media and Advertising Committee at the Chamber of Commerce and Industry in Riyadh (2011G–present).

5-2-3-4 Samuel James Killion Barnett

Age:	51 years
Nationality:	British
Current Position:	Board Member (non-executive/non-independent)
Date of Appointment:	14 March 2021G
Educational Qualifications:	• Bachelor's degree in Economics and History, Cambridge, UK, 1993G. • MBA, INSEAD, France, 1997G.
Current Executive Positions:	• CEO of MBC Group Limited, a company operating in the media sector in the UAE (2021G–present).
Previous Executive Positions:	• Senior Manager, Arthur Andrews Company, a company operating in accounting and financial consulting, 2000G–2002G. • Manager at PricewaterhouseCoopers, a company operating in auditing and financial consulting, 1997G–2000G. • Assistant at Kalchas Company, a company operating in financial and administrative consulting, 1993G–1996G.
Other current memberships:	• None

5-2-3-5 Munaji Fouad Zamakhshari

Age:	41 years
Nationality:	Saudi
Current Position:	Board Member (non-executive/independent)
Date of Appointment:	18 March 2020G
Educational Qualifications:	• BSc with Honours in Ship Command Operations, Warsash Maritime Academy, UK, 2003G. • LLB, Nottingham Law School, UK, 2007G. • Master's degree in international law, University of Wales, UK, 2008G.
Current Executive Positions:	• Managing Director of Munaji Fouad Zamakhshari and Salah Fawaz Al-Harbi Lawyers and Consultants - a Saudi limited liability company working in the legal consultancy sector (2012G-present).

Other current memberships:	• Chairman of the Board of Directors of KLD Management Training, a Saudi limited liability company operating in the management training sector (2017G–present).
Previous Executive Positions:	• Freelancer as a licensed attorney and legal advisor (2008G–present).

5-2-3-6 Muhammad Abdullah Al-Nimr

Age:	37 years
Nationality:	Saudi
Current Position:	Board Member (non-executive/independent)
Date of Appointment:	18 March 2020G
Educational Qualifications:	• Bachelor's degree in Management Sciences and Information Systems, KFUPM, Kingdom of Saudi Arabia, 2005G. • Master's degree in management sciences, City University, UK, 2007G.
Current Executive Positions:	• CEO of Mouroud Holding Company, a Saudi limited liability company operating in the field of investment (2012G–present).
Other Current Memberships:	• Chairman of the Board of Directors of Mouroud Holding Company, a Saudi limited liability company operating in the field of investment (2012G–present). • Chairman of the Board of Directors of Osool Entertainment, a Saudi limited liability company operating in the entertainment field (2014G–present). • Chairman of the Board of Directors at Dar Al Tamniyat, a Saudi limited liability company operating in the real estate field (2016G–present). • Chairman of the Board of Directors of Anadair Company, a Saudi limited liability company operating in the field of food and beverages (2019G–present). • Member of the Board of Directors of Wabel Alarabia for Investment, a Saudi limited liability company operating in the real estate field (2016G–present). • Member of the Board of Directors of Joud Arabia for Investment, a Saudi limited liability company operating in the real estate field (2016G–present). • Member of the Board of Directors of Asateer Entertainment Company, a Saudi limited liability company operating in the real estate field (2016G–present).

5-2-3-7 Mustafa Fawzi Al-Saeedi

Age:	42 years
Nationality:	Egyptian
Current Position:	Secretary of the Board
Date of Appointment:	17 June 2000G
Educational Qualifications:	• Bachelor of Commerce, Cairo University, Egypt, 1999G.
Current Executive Positions:	• Director of the Contracts and Tenders Department and Executive Assistant to the CEO of Arabian Contracting Services Company, a Saudi joint stock company operating in the media and publishing sector (2016G–present).
Previous Executive Positions:	• Accountant responsible for general accounts, cash accounts, assets and follow-up of contracts, Arabian Contracting Services Company (2000G–2007G). • Accounting chief responsible for monitoring financial reports with the CFO, income statements and trial balances, Arabian Contracting Services Company (2007G–2011G). • Executive Assistant to the CEO, Arabian Contracting Services Company (2011G–2016G).

5.3 Board Committees

The Board of Directors shall form committees to improve the Company's management. Each committee shall have its own charter that defines clear rules for its roles, powers and responsibilities. The committees shall hold periodic meetings for the purpose of carrying out their duties.

The following is a summary of the structure, responsibilities and current members of each standing committee:

5.3.1 Nomination and Remuneration Committee

The main function of the Nomination and Remuneration Committee is to identify qualified candidates eligible for Board membership. The Committee is also responsible for assisting the Board in establishing a proper governance system and drafting the necessary policies and procedures. The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:

- Identifying qualified candidates and nominating them to the Board of Directors.
- Conducting an annual review of Board membership requirements, which shall include the capabilities, experience and time available for Board responsibilities.
- Reviewing the composition of the Board and recommend amendments that serve the Company's best interests.
- Determining the strengths and weaknesses of the Board and proposing required changes to benefit the Company's interests.
- Nominating candidates for the positions of Chief Executive Officer and Managing Director, as well as nominating Committee members, to be approved by the Board of Directors or the General Assembly.
- Reviewing the policies and procedures for approving the Board of Directors prior to adoption by the General Assembly.
- Monitoring the independence of independent Board members and monitoring any conflicts of interest on an annual basis.
- Reviewing the preparatory materials and training courses for new Board members.
- Establishing clear policies regarding the remuneration of managers and senior executives.
- Reviewing and proposing plans for the assumption of key executive functions.
- Reviewing and approving the Company's overall structure of rewards and privileges, which includes employment grades, structure of wages and privileges, as well as rewards and incentives associated with performance.
- Approving changes to the remuneration of the Chief Executive Officer and recommending changes to the remuneration of the Managing Directors, Directors and members of the various Board Committees.
- Approving extraordinary remuneration (signing or performance bonuses) for the Chief Executive Officer and senior executives.

The Nomination and Remuneration Committee shall consist of at least three (3) members appointed by the Company's Board of Directors for a period of three (3) years.

Subject to the requirements that must be met by members of the Nomination and Remuneration Committee, the Board of Directors shall appoint members to the Committee for a period of three years. The Board shall take the necessary measures to enable the Nomination and Remuneration Committee to carry out its functions, including providing the Nomination and Remuneration Committee with unrestricted access to all data, information, reports, records, correspondence or other matters the Nomination and Remuneration Committee deems necessary.

The following members were appointed to the Nomination and Remuneration Committee by the Extraordinary General Assembly held on 23/07/1441H (corresponding to 18 March 2020G).

Table (5-3): Nomination and Remuneration Committee Members

Name	Status
Munaji Fouad Zamakhshari	Chairman - Non-executive/Independent
Abdelellah Abdulrahman Alkhereiji	Member – Non-executive/Non-independent
Fatima Abdelellah Alkhereiji	Member – Non-executive/Non-independent

Source: The Company

Following is a summary of the qualifications of the Nomination and Remuneration Committee members:

5-3-1-1 Munaji Fouad Zamakhshari

Please refer to Section 5.2.3.5 for more details regarding Munaji Fouad Zamakhshari's expertise, qualifications and current and past positions.

5-3-1-2 Abdelellah Abdulrahman Alkhereiji

Please refer to Section 5.2.3.1 for more details regarding Abdelellah Abdulrahman Alkhereiji's expertise, qualifications and current and past positions.

5-3-1-3 Fatima Abdelellah Alkhereiji

Age:	34 years
Nationality:	Saudi
Current Position:	• Member of the Remuneration and Nomination Committee • Member of the Audit Committee
Date of Appointment:	18 March 2020G
Educational Qualifications:	• Bachelor of Science in Interior Design Engineering, College of Engineering, PSU, Kingdom of Saudi Arabia, 2017G.
Current Executive Positions:	• Director of Projects Management at High-End Hotels Company, a Saudi limited liability company operating in the tourism and hotel sector (2010G-present). • Owner and Director of the Green Bag Company, a Saudi limited liability company operating in the food sector (2019G–present).

5.3.2 Audit Committee

The implementation of an effective internal control system is one of the responsibilities assigned to the Board of Directors. The main task of the Audit Committee is to verify the adequacy and effective implementation of the internal control system and to make any recommendations to the Board of Directors that would activate and develop the system to achieve the Company's objectives. The Committee is also responsible for reviewing risk management policies, the annual risk report and risk reduction plans before presenting them to the Board of Directors. The Committee is responsible for ensuring compliance with the Company's Corporate Governance Regulations and Practices issued by the Capital Market Authority and the Company's Corporate Governance Manual and Policy. The scope of the Committee's work includes all actions that enable it to fulfil its functions, including:

- Analysing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model and strategy.
- Analysing any important or unusual issues contained in the financial reports.
- Accurately investigating any issues raised by the Company's chief financial officer or any person assuming the duties thereof or the Company's compliance officer or external auditor.
- Examining the accounting estimates with respect to significant matters contained in the financial reports.
- Examining the accounting policies followed by the Company and providing the Board with its opinion and recommendations thereon.
- Examining and reviewing the Company's internal and financial control systems and risk management system.
- Analysing the internal audit reports and monitoring the implementation of corrective measures with respect to the remarks made in such reports.

- Monitoring and overseeing the performance and activities of the internal auditor and the Company's internal audit department, if any, to ensure availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no internal auditor, the committee shall provide a recommendation to the Board on whether there is a need to appoint an internal auditor.
- Providing recommendations to the Board on the appointment of the director of the internal audit department or unit or the internal auditor and suggest the remuneration thereof.
- Providing recommendations to the Board on the nomination, dismissal and remuneration of auditors and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
- Verifying the independence, objectivity and fairness of the auditor and the effectiveness of the audit activities, taking into account the relevant rules and standards.
- Reviewing and providing opinions on the plan and activities of the Company's auditor and ensuring that it does not perform technical or administrative works that are beyond its scope of work.
- Responding to queries from the Company's auditor.
- Studying the auditor's report and observation on the financial statements and monitoring the procedures taken in connection therewith.
- Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
- Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions.
- Reviewing the contracts and proposed Related Party transactions and providing its recommendations to the Board in connection therewith.
- Reporting any issues to the Board that it finds require action and providing recommendations as to the steps that should be taken.

The Audit Committee consists of three (3) members appointed by the Ordinary General Assembly for a period of three (3) years.

Subject to the requirements that must be met by members of the Audit Committee, the Ordinary General Assembly shall appoint members to the Audit Committee for a period of three years. The Board shall take the necessary measures to enable the Audit Committee to carry out its functions, including providing the Audit Committee with unrestricted access to all data, information, reports, records, correspondence or other matters which the Audit Committee deems necessary.

The following members were appointed in the Audit Committee at the Extraordinary General Assembly held on 23/07/1441H (corresponding to 18 March 2020G).

Table (5-4): Members of the Audit Committee

Name	Status
Muhammad Abdullah Al-Nimr	Chairman – Non-executive/Independent
Abdel Mohsen Abdulrahman Alkhereiji	Member – Non-executive/Non-independent
Fatima Abdelellah Alkhereiji	Member – Non-executive/Non-independent

Following is a summary of the Audit Committee members' qualifications:

5-3-2-1 Muhammad Abdullah Al-Nimr

Please refer to Section 5.2.3.6 for more details regarding Muhammad Abdullah Al-Nimr's expertise, qualifications and current and past positions.

5-3-2-2 Abdel Mohsen Abdulrahman Alkhereiji

Please refer to Section 5.2.3.2 for more details regarding Abdel Mohsen Abdulrahman Alkhereiji's expertise, qualifications and current and past positions.

5-3-2-3 Fatima Abdelellah Alkhereiji

Please refer to Section 5.3.1.3 for more details regarding Fatima Abdelellah Alkhereiji's expertise, qualifications and current and past positions.

5.4 Senior Management

5.4.1 Senior Management Members

The Company's Senior Management consists of experienced, highly qualified and professional cadres that include Saudi and non-Saudi nationals with a high level of knowledge and experience in the field of advertising and printing. In light of its development and growth, the Company has paid special attention to Senior Executives and the rest of the team to ensure their retention. The Company's Senior Management currently consists of seventeen (17) members as shown in the following table:

Table (5-5): Members of the Company's Senior Management

No.	Name	Age	Nationality	Position	Date of Appointment	Direct Ownership (%)		Indirect Ownership (%)	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Muhammad Abdelellah Alkhereiji	36	Saudi	CEO	15 May 2006G	-	-	7.7%[11]	7.1%[12]
2	Mohamed Salah El-Din Albuz	37	Jordanian	Finance Director	1 April 2020G	-	-	-	-
3	Saad Abdullah Al-Qahtani	50	Saudi	Deputy CEO, Contracts and Projects Department	24 March 1992G	-	-	-	-
4	Khalaf Abdullah Al-Maimouni	31	Saudi	Director of Administrative and Personnel Affairs	19 January 2016G	-	-	-	-
5	Roht Dharshert Satpotty	44	Indian	Director of Procurement and Logistics	09 January 2016G	-	-	-	-
6	Mustafa Fawzi Al-Saeedi	42	Egyptian	Director of Contracts and Tenders	17 June 2000G	-	-	-	-
7	Rabih Saeed Al-Abed	44	Lebanese	Director of Print Shop	4 November 2013G	-	-	-	-
8	Jalal Georgi Khanfour	38	Lebanese	Chief Commercial Officer	1 January 2013G	-	-	-	-
9	Rabih Elias Khoury	51	American	Director of Sales - Jeddah	1 April 2019G	-	-	-	-
10	Norah Majid Al-Arji	31	Saudi	Director of Marketing	18 October 2018G	-	-	-	-

11 Prior to the Offering, Mohammed Abdelellah Alkhereiji indirectly owns 7.7% as a result of a 11% ownership percentage in Engineer Holding Group Company, which directly holds 70% of the Company's Shares.

12 After the Offering, Mohammed Abdelellah Alkhereiji will indirectly own 7.1% as a result of a 11% ownership percentage in Engineer Holding Group Company, which will directly hold 65% of the Company's Shares after the Offering.

No.	Name	Age	Nationality	Position	Date of Appointment	Direct Ownership (%)		Indirect Ownership (%)	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
11	Muhammad Sarvers Allam	43	Indian	Director of Maintenance and Operations	18 August 2013G	-	-	-	-
12	Haitham Issa Ahwash	36	Lebanese	Director of Sales - Dubai	1 January 2013G	-	-	-	-
13	Muhammad Shahed Shahzad	41	Pakistani	Print Shop Department - Riyadh	21 January 2019G	-	-	-	-
14	Jethroa Saock Buenapentura	34	Filipino	Print Shop Department - Jeddah	21 September 2008G	-	-	-	-
15	Mohammad Saud Al Ghaith	37	Saudi	Chief Strategy Officer	01 January 2021G	-	-	-	-
16	Arwa Mohammed Al-Turki	38	Saudi	Chief of Staff	01 March 2021G	-	-	-	-
17	Haitham Mazen Al Husseini	39	Palestinian	Internal Audit Supervisor	27 June 2021G	-	-	-	-

Source: The Company

Following is a summary of the qualifications of the Senior Management Members:

5-4-1-1 Muhammad Abdelellah Alkhereiji

Please refer to Section 5.2.3.3 for more details regarding Muhammad Abdelellah Alkhereiji's expertise, qualifications and current and past positions.

5-4-1-2 Mohamed Salah El-Din Albuz

Age:	37 years
Nationality:	Jordanian
Current Position:	Finance Director
Date of Appointment:	01 April 2020G
Educational Qualifications:	• BA in Accounting, University of Jordan, Jordan, 2006G.
Previous Executive Positions:	• Financial Manager at Saudi Manpower Solutions Company "SMASCO", a Saudi closed joint stock company operating in the human resources sector (2012G–2020G). • Head of the Financial Operations Department at Al-Khaleejiah Advertising, a Saudi limited liability company operating in the field of advertising (2009G–2012G). • Senior Auditor at Talal Abu-Ghazaleh & Co. International, a Saudi limited liability company operating in the field of financial advisory (2006G–2009G).

5-4-1-3 Saad Abdullah Al-Qahtani

Age:	50 years
Nationality:	Saudi
Current Position:	Deputy CEO, Contracts and Projects Department
Date of Appointment:	24 March 1992G
Educational Qualifications:	• High school diploma, Abha, Kingdom of Saudi Arabia, 1985G.
Previous Executive Positions:	• Director of the Maintenance and Operations Department of Arabian Contracting Services Company, a Saudi joint stock company operating in the media and publishing sector (1999G–2016G). • Director of the Administrative Affairs Department of Arabian Contracting Services Company (1992G–1998G). • Director of the Government Relations Department of Arab Company for the Wealth of Science, a Saudi limited liability company operating in the service consulting sector (1989G–1993G).

5-4-1-4 Khalaf Abdullah Al-Maimouni

Age:	31 years
Nationality:	Saudi
Current Position:	Director of Administrative and Personnel Affairs
Date of Appointment:	19 January 2016G
Educational Qualifications:	• Diploma, TVTC, Kingdom of Saudi Arabia, 2011G.
Previous Executive Positions:	• Personnel and Human Resources Officer at Raz Holding Company, a Saudi limited liability company operating in entrepreneurship and start-ups management (2014G–2016G). • Human Resources Officer at ABYAT, a Saudi limited liability company operating in the retail sector (2012G–2014G).

5-4-1-5 Roht Dharshert Satpotty

Age:	44 years
Nationality:	Indian
Current Position:	Director of Procurement and Logistics
Date of Appointment:	09 January 2016G
Educational Qualifications:	• BA in Production, University of Pune, India, 1996G.
Previous Executive Positions:	• Engineer in the Inventory Materials Department at Salcocar Company, India, a limited liability company operating in the retail sector (1999G–2001G). • Officer of the Inventory and Warehouse Division at Arian Earth Moverzny Company, India, a limited liability company operating in the retail sector (2001G–2003G). • Director of the Material Department at Alawal Plastic for Industry and Export Company, India, a limited liability company operating in the retail sector (2003G–2016G).

5-4-1-6 Mustafa Fawzi Al-Saeedi

Please refer to Section 5.2.3.7 for more details regarding Mustafa Fawzi Al-Saeedi's expertise, qualifications and current and past positions.

5-4-1-7 Rabih Saeed Al-Abed

Age:	44 years
Nationality:	Lebanese
Current Position:	Director of Print Shop
Date of Appointment:	04 November 2013G
Educational Qualifications:	• Diploma in Accounting and Auditing, AUB, Lebanon, 1997G. • Certificate in systems engineering, Microsoft, USA, 2000G.
Previous Executive Positions:	• Regional Technical Director of Agfa Graphics, a Belgian public shareholding company operating in the printing and advertising sector, MENA (2010G–2012G). • Digital Printing Engineer at Fujifilm Sericol, a USA public shareholding company operating in the printing sector, Arab Gulf and North Africa Branch (2007G–2010G). • Director of the Service Engineers Team at EFI Vutek, a USA public joint stock company operating in the technology and printing sector in the Europe and Middle East (2002G–2007G). • Assistant in the Data Management Department at Citibank, a USA public joint stock company operating in the financial and banking services sector (2001G–2002). • Supervisor of the Production and Printing Department at Printech Company, a USA limited liability company operating in the printing sector (1998G–2001G).

5-4-1-8 Norah Majid Al-Arji

Age:	31 years
Nationality:	Saudi
Current Position:	Director of Marketing
Date of Appointment:	18 October 2018G
Educational Qualifications:	• BA in International Studies, American University, Sharjah, 2011G. • MA in Communications, Zayed University, UAE, 2017G.
Previous Executive Positions:	• Communications Director at Estée Lauder, a UAE limited liability company operating in the retail sector (2013G–2014G). • Senior Executive Accounts Officer at ASDAA, a UAE limited liability company operating in the communications and public relations sector (2011G–2013G). • Assistant Coordinator at Art Dubai, a UAE limited liability company operating in the arts and culture sector (2011G). • Public relations trainee at Gulf Wells Trading, a UAE limited liability company operating in the oil derivatives sector (2010G).

5-4-1-9 Jalal Georgi Khanfour

Age:	38 years
Nationality:	Lebanese
Current Position:	Chief Commercial Officer
Date of Appointment:	1 January 2013G
Educational Qualifications:	• Bachelor's degree in Business Administration, USG, Lebanon, 2001G. • Master's degree in International Marketing, USG, Lebanon, 2003G.
Previous Executive Positions:	• Sales Manager at Arabian Outdoor Company – Dubai, a UAE limited liability company operating in the media and publishing sector (2005G–2012G). • Accounting Manager at Electricité de Zahlé, a limited liability company operating in the energy sector (2002G–2004G).

5-4-1-10 Rabih Elias Khoury

Age:	51 years
Nationality:	American
Current Position:	Director of Sales Department, Jeddah
Date of Appointment:	01 April 2019G
Educational Qualifications:	• Bachelor's degree in Marketing, University of California, USA, 1993G.
Previous Executive Positions:	• General Manager at Ogilvy & Mather, Kingdom of Saudi Arabia, a limited liability company operating in the media and publishing sector (2003G–2014G). • Regional General Manager at Mindshare – Bahrain, Kingdom of Saudi Arabia and Qatar, a limited liability company operating in the media and publishing sector (2014G–2017G).

5-4-1-11 Muhammad Sarvers Allam

Age:	43 years
Nationality:	Indian
Current Position:	Director of Maintenance and Operations
Date of Appointment:	18 August 2013G
Educational Qualifications:	• Bachelor's degree in Mechanical Engineering, University of Karnataka, India, 1999G. • Diploma in Quality Assurance Management, IIFM, India, 2002G.
Previous Executive Positions:	• Quality Control and Assurance Engineer at Sardoll Company, an Indian limited liability company operating in the engine spare parts manufacturing sector (2001G–2003G). • Quality Engineer at Delta Company, an Indian Company with limited liability working in the ambulance industry sector (2004G–2006G). • Operating Manager at Tata Company, an Indian limited liability company operating in the aluminium industry sector (2006G–2012G). • Director of Supply Chain Division at Kabaro Company, an Indian limited liability company operating in the automotive sector (2012G).

5-4-1-12 Haitham Issa Ahwash

Age:	36 years
Nationality:	Lebanese
Current Position:	Director of Sales Department at Al Arabia Out of Home Company (Subsidiary - Dubai)
Date of Appointment:	1 January 2013G
Educational Qualifications:	• BSBA, AUB, Lebanon, 2006G.
Previous Executive Positions:	• Sales Manager at Al Arabia Out of Home Company, Dubai, a subsidiary of Arabian Contracting Services Company in the advertising sector (2019G–present). • Sales Official at Arabian Contracting Services Company, a Saudi joint stock company operating in the media and publishing sector (2013G–2018G). • Media Director at OMD, a UAE limited liability company operating in the advertising sector (2007G–2009G). • Sales Manager at PHD, a UAE limited liability company operating in the advertising sector (2010G–2013G).

5-4-1-13 Muhammad Shahed Shahzad

Age:	41 years
Nationality:	Pakistani
Current Position:	Print Shop Department, Riyadh
Date of Appointment:	21 January 2019G
Educational Qualifications:	• Diploma in Associate Engineering in Printing and Graphic Arts, Polytechnic Institute of Printing & Graphic Arts, Pakistan, 1996G. • Computer Diploma, Qur'an Approach to Computer Science, Pakistan, 1997G.
Previous Executive Positions:	• Printing Supervisor at Hala Printing Company, a Saudi limited liability company operating in the printing sector (2001G–2015G). • Press Director at Marina Company, a Saudi limited liability company operating in the printing sector (2015G–2019G).

5-4-1-14 Jethroa Saock Buenapentura

Age:	34 years
Nationality:	Filipino
Current Position:	Print Shop Department, Jeddah
Date of Appointment:	21 September 2008G
Educational Qualifications:	• Diploma in Computer, La Fortuna Computer Learning Center, Philippines, 2003G.
Previous Executive Positions:	• Machine Operation Supervisor at Arabian Contracting Services Company, a Saudi joint stock company operating in the media and publishing sector (2008G–2014G).

5-4-1-15 Arwa Mohammed Al-Turki

Age:	38 years
Nationality:	Saudi
Current Position:	Chief of Staff
Date of Appointment:	01/03/2021G
Educational Qualifications:	• Bachelor's degree and Diploma in Accounting, King Saud University in Riyadh, 2005G. • Executive Master of Business Administration (EMBA), Holt University of International Business in Dubai, 2019G.
Previous Executive Positions:	• Director of Public Relations and Administrative Services at Thiqah Company - a limited liability company working in the smart solutions and business services sector (2018–2021G).

5-4-1-16 Mohammad Saud Al Ghaith

Age:	37 years
Nationality:	Saudi
Current Position:	Chief Strategy Officer
Date of Appointment:	01/01/2021G
Educational Qualifications:	• Bachelor's degree in Accounting, UCD University in Dublin, 2007G. • MBA, ISAD University in Barcelona, 2014G.
Previous Executive Positions:	• Chief Executive Officer and Board Member - Anb Invest (from 2018G to present) • Private Sector Partnership Consultant - Ministry of Finance (2017G–2019G) • Manager of Private Equity Funds - Alinma Investment Company (2016G–2017G) • Investment Funds - Capital Market Authority (2010–2016G) • Credit Department - Saudi Industrial Development Fund (2007G–2010G)

5-4-1-17 Haitham Mazen Al Husseini

Age:	39 years
Nationality:	Palestinian
Current Position:	Internal Audit Supervisor
Date of Appointment:	27/06/2021G
Educational Qualifications:	Bachelor's degree in Financial Management, Prince Sultan University in Riyadh, Kingdom of Saudi Arabia, 2006G.
Previous Executive Positions:	• Internal Audit Supervisor at Engineer Holding Group, which was established in the Kingdom of Saudi Arabia and operates in the media sector (2020G–2021G). • Senior Internal Auditor at Awqaf Sulaiman Bin Abdul Aziz Al Rajhi Holding Company, which was established in the Kingdom of Saudi Arabia and operates in the investment sector (2018G–2020G). • Senior Internal Auditor at FAL HOLDINGS, which was established in the Kingdom of Saudi Arabia and operates in the investment sector (2015G–2018G). • Senior Internal Auditor at Al-Murshid Holding Group, which was established in the Kingdom of Saudi Arabia and operates in the real estate investment and development sector (2012G–2015G). • Senior Accountant at Bassem Al Qassem Trading Group, a sole proprietorship company established in the Kingdom of Saudi Arabia and operating in the wholesale industry sector (2011G). • An external auditor at BDO Global, working in the financial sector (2009G–2010G). • Financial Analyst at Ernst & Young Consulting Ltd., operating in the consultancies, strategies, transactions and tax services sector (2006G–2009G).

5.5 The Company's Main Departments

The Company has a number of departments supporting its various business activities. Below is a brief description of the Departments' various activities:

5.5.1 Advertising Department

The key responsibilities of Advertising Department are as follows:

- Coordinating with the Company's Senior Management to develop strategic plans for the anticipated advertising volume, in line with the Company's available advertising spaces.
- Directly coordinating with media buyers, advertising agents and advertising companies with regard to advertising campaigns carried out through the Company.
- Making periodic visits to monitor the implementation of advertising campaigns within the scheduled time and to ensure that required maintenance of advertising media is performed.
- Reviewing advertising material with clients before sending it to the Company's print shops and ensuring that it complies with instructions and doesn't contain any legal violations.
- Directly managing the Company's relationships with its clients, media buyers, advertising agents and advertising companies.
- Supervising the implementation of marketing plans approved by the Company's Senior Management.
- Managing the Company's available advertising spaces to ensure maximum benefit from such spaces and increase their occupancy rates.
- Studying open tenders and selecting tenders for the Company to bid on, in accordance with a set of criteria such as the city in which the billboards are located, the nature of the sites and the type of billboards, in coordination with the CEO.

5.5.2 Contracts and Tenders Department

- Monitoring advertisements to rent billboards in official newspapers on a weekly basis.
- Determining the tenders to apply for in coordination with the Company's Senior Management and Sales Department by determining the places with high demand, in terms of the geography of the location and also the number of visitors to those places, in order to achieve the highest possible viewing rates to help maximise the Company's revenues. Purchasing and reviewing selected tender documents and studying the detailed conditions and specifications in order for the Company to determine whether the tender is appropriate or not and study all terms and requirements for applying for the tender.
- If the Company decides to enter into the tender, prepare all documents, including the issuance of bank guarantees.
- Submitting bid envelopes to the relevant authorities and attending the bid opening session on the date set for announcing the tender.
- In the event that the Company is awarded the tender, the Contract Department follows up on the issuance of award letters by the secretariat or municipality in order to sign the contract and paying the rent for the first year of the contract in advance, including advertising fees and electricity fees and recover the bank guarantee.
- Signing the site delivery report and identifying any obstacles to the delivery of certain sites.
- Following up on the (internal or external) purchase of billboards under contracts with the relevant parties within the Company and ensuring that procurement procedures are completed.
- Coordinating with the relevant authorities at secretariats and municipalities to obtain the necessary legal licenses to complete installation works.
- Ensuring that construction works are consistent with billboard installation rules and ensuring that electrical resources required to operate billboards are available.
- Following up on the installation of billboards and informing the relevant parties within the Company to add these sites to the Company's advertising networks.
- Following up on the removal and installation of billboards during the term of contracts with secretariats and municipalities, especially for those sites affected by road projects, and deducting the rent for sites removed.
- Following up on payments and financial settlements with secretariats and municipalities during each contractual year during the contract period.
- Reviewing contract status on an annual basis and then preparing the annual budget for contracts (in terms of renewal or non-renewal of some contracts as well as the Company's plan to enter into new contracts).
- If a contract is not renewed, remove the billboards and hand over the sites under a site handover report, in coordination with the Municipality or Secretariat.
- Monitoring and submitting reports on contract costs and comparing them with the approved annual budget for those contracts on a monthly basis for the Company's CEO.

5.5.3 Maintenance and Operations Department

In line with the nature of its activity, the Company has a large number of advertising billboards, including 4,942 roadside billboards and 73 indoor advertising billboards of various types, spread across broad geographical regions of the Kingdom and distributed throughout 28 cities as at 31 December 2020G. The Maintenance and Operations Department is responsible for overseeing such billboards at all stages. The responsibilities of the Maintenance and Operations Department are as follows:

- Periodic planning for advertising billboard sites on the basis of advertising campaign networks, distributing them according to the marketing policy developed by the Advertising Department and sending the schedules of advertising campaigns to the maintenance teams and Print Shop Department weekly, as well as coordinating with clients.
- Upgrading such networks with the addition or cancellation of contracts with secretariats.

- Reviewing sites and open tenders, studying the suitability of sites in terms of size, shape and direction and making the necessary sketches. Such tasks represent the feasibility study prior to the submission of bids by the Procurement Department.
- Developing the work plan and timetable for the implementation of projects.
- Equipping sites through internal coordination with the Procurement Department and the relevant secretariat.
- Receiving the sites from the competent authority and digging and casting the concrete bases in which billboards will be installed.
- Installing billboards through the installation team.
- Issuing instructions and guidelines and developing strategic plans for work phases.
- Reviewing the daily reports received from various departments and making the appropriate decisions.
- Periodically meeting with department officers and branch supervisors to make sure that work is done according to the set plans and solve any problems encountered thereby.
- Submitting the required reports to the Board of Directors and discussing the Department's needs for human and material resources and equipment to manage maintenance.
- Adding billboards to the Company's networks by numbering each billboard face according to the type and location of each billboard.
- Companies wishing to advertise submit applications to reserve sites stating the desired dates according to availability through the Maintenance and Operations Department.
- Reserving the sites agreed upon in the database as per the approval sent by the client.
- Carrying out periodic work to monitor and ensure that advertising campaigns are implemented and removed on the dates agreed upon with the client, and to ensure that maintenance teams perform their role in maintaining and cleaning the billboards.

The Maintenance and Operations Department is divided into two sections:

- The Maintenance Division, which is responsible for:
  - Overseeing billboard maintenance on all sites and ensuring that supervisors guide and manage maintenance teams.
  - Following up on site needs for spare parts and coordinating with the Warehouse Department to immediately secure the spare parts needed for each site as required.
  - Providing guidance to site supervisors and issuing the necessary instructions to maintain a high level of maintenance and cleanness of billboards throughout the contract duration.
  - Periodically visiting sites and submitting the required reports to the Department.

The Maintenance Department is divided into two sections:

a) Preventive maintenance:

This includes periodic maintenance of billboards to avoid gradual damage to billboard facilities and equipment, to preclude damages that could impede workflow and keep the billboards in good condition and ready for the maintenance teams to carry out their required tasks properly, as well as repair periodic defects around the clock.

b) Corrective Maintenance:

This includes maintenance work resulting from defects due to failures that may arise from usage or accidents. Its aim is to keep sites in good-as-new condition. If a billboard is dysfunctional due to a manufacturing defect, it will be removed and replaced promptly. However, if the breakdown was due to technical or special reasons related to natural factors, the maintenance team will repair it within 24 hours. Recently, GSM chips have been added to some of the Company's billboards that send a message to the Central Maintenance Division in the event of any breakdown in order to ensure such breakdown is repaired as soon as possible. The Development Maintenance Division plans to distribute such technology to all the Company's billboards.

- The Operation Division, which is responsible for:
  - Receiving the advertising campaign network schedule issued by the Central Marketing Department in Jeddah.
  - Comparing the advertising campaign network schedule with the print schedule sent to the Company's print shops, and
  - Receiving prints from the Company's print shops and distributing them to operation supervisors at all branches throughout the Kingdom via the shipping official at the Riyadh branch through a specially designed program developed by DHL and FedEx.

The Maintenance and Operations Department is managed by Muhammad Sarvers Allam, who reports directly to the CEO, Muhammad Abdelellah Alkhereiji.

5.5.4 Procurement Department

The Company's business relies on entering tenders organised by different secretariats and municipalities in all regions and cities in the Kingdom, in order to install billboards in line with the specifications, numbers and locations specified in the tender conditions in areas owned by such government entities. This is where the role of the Procurement Department begins, as it determines which tenders the Company desires to participate in after verifying the financial and strategic feasibility of such tenders. It then estimates the appropriate prices for such tenders after studying the tender conditions and specifications.

If the Company wins a tender related to billboards, it will take possession of sites from the secretariats after completing all necessary procedures including paying rent and signing contracts. Then installation of the billboard commences, in coordination with the Maintenance Department. However, if the Company wins a tender related to print shops, the necessary actions to complete the requirements of such tender shall be adopted in coordination with the Print Shop Department.

The Procurement Department also coordinates with all Departments and Divisions to provide them with all assets and primary and raw materials necessary for production and performance of their assigned tasks and services. The Procurement Department purchases such supplies and raw materials after studying the offers and prices provided by suppliers approved by the Company in accordance with the internal procurement policies.

The Director of the Procurement Department, Roht Dharshert Satpotty, reports directly to the CEO, Muhammad Abdelellah Alkhereiji.

5.5.5 Finance Department

The Finance Department is responsible for controlling, overseeing and verifying the Company's revenues and expenses by managing a network of digital records, accounting and supporting documents and ledgers through departmental accountants. It also issues all daily and periodic financial reports and submits the same to Senior Management or external entities.

The Finance Department cooperates periodically with banks to facilitate the Company's financial operations in relation to employee salaries, bank credits and guarantees and all banking facilities in addition to treasury activities.

The Finance Department is managed by Mohamed Salah El-Din Albuz, who reports directly to the CEO, Muhammad Abdelellah Alkhereiji.

5.5.6 Administrative and Personnel Affairs Department

The Administrative and Personnel Affairs Department oversees administrative matters related to employees and employment, as well as the Company's administrative affairs including staff leaves and job allowances according to the Company's Bylaws. It also coordinates leaves and provides substitutes.

The Department follows up with the competent authorities on administrative affairs related to the Kingdom of Saudi Arabia-based branches in coordination with the Company's Public Relations Department.

The Department also develops plans and strategies related to the Company's goals associated with human resources, development programs and raising the efficiency of individuals in all Company Departments. The Department monitors and identifies all variables in relation to employee salaries and compensation, in addition to preparing required statements. The Department deals with all Company governmental and administrative affairs, including renewing and following up on all permits, licenses, contracts, visas and sponsorships related to the Company, its assets and employees with governmental and quasi-governmental entities and the private sector.

The Administrative Affairs Department supervises the Collection Department in coordination with the Finance Department and Marketing Department, ensuring that documents related to the Company's clients conform with legal requirements, and that clients approve Company invoices.

The Administrative and Personnel Affairs Department is managed by Khalaf Al-Maimouni, who reports directly to the CEO, Muhammad Abdelellah Alkhereiji.

5.5.7 Print Shop Department

The Print Shop Department supports the Company's activity in the outdoor advertising sector, and is where all posters and billboards are printed. The print shops provide printing services for external clients according to their needs and requirements; it also enters government tenders in the same field. The Print Shop Department is managed by Rabih Saeed Al-Abed, who reports directly to the CEO, Muhammad Abdelellah Alkhereiji.

Following is a description of all Print Shop Divisions:

1- Silk Screen Printing Division

The Company has performed this type of printing since its incorporation in 1985G. This Division is specialised in printing Mupi posters, after receiving the poster design from the client and transforming it into four films. These films are sent to the Imaging Division to enlarge the design to the printing size and image it on silk chapalons pre-coated with a gelatinous substance. Each colour is printed on a chapalon, then every colour of the design is printed in a separate machine based on the colours used in the design (yellow, red, blue and black). Once the printing process is finished, the silk chapalons are washed to remove the gelatinous substance and recoated again to be reused in new designs. The operations of this Division are conducted by the Company's two print shops in Riyadh and Jeddah.

The Silk Screen Printing Division is distinguished by its speedy printing and is used to print large quantities up to 176 cm × 120 cm in size.

2- Offset Printing Division

This Division includes two main types of printing, Mupi and business printing. Below is a summary of both types:

- **Mupi:** After a design is received, the colours are separated and films are made according to the colours used in the design. The colours are then sent to the Imaging Division in order to image four metal printing plates. Then, they are developed using specific acids based on the type of plate. These metal plates are then sent to a printing machine to be printed in phases based on the colours used. Mupi posters can also be printed using silk screen or digital printing technology as an alternative if the offset printers are out of service or a small quantity is required.

- **Business Division:** This Division prints and binds books, brochures and numbered copybooks such as invoices, receipts and other such items. This Division starts operations when it receives a design from a client. A film is made for the design and the number of colours is sorted. Then, the film is edited and the order is printed. Finally, copies are collected for cutting, binding and stapling.

The operations of this Division are conducted by the Company's two print shops in Riyadh and Jeddah.

3- Digital Printing Division

This type of printing was added in 2004G. The Division receives the design on a CD, which is reviewed by a designer from the Division to match the design colours. After a sample is approved by the client, the design is printed by digital printing machines in the required sizes. This Division prints the following types of materials:

a) All types of flex face material: advertising faces suitable for backlighting, in large and small sizes
b) All types of banner material: advertising faces suitable for front lighting, in large sizes
c) Super Structures
d) Advertising stickers for exhibitions and vehicles: posters stuck on cars, walls, windows or floors, in different sizes

This type of printing does not require pre-printing services, colour sorting or film editing. In addition, this Division is capable of printing small quantities in an economically feasible manner. Printing can also be based on digital technology for all sizes.

The operations of this Division are conducted by the Company's two print shops in Riyadh and Jeddah.

4- Sales and Raw Material Division

The operations of this Division are managed by the Company's print shop in Riyadh. Its activities are subdivided into two categories:

Sale of Materials: This Division markets and sells some raw materials used in digital printing, such as:

- Flex face materials, which are white light permeable advertising faces normally used with backlights. This type of material is commonly used for example as advertising facades for shops.
- Banners, which are white light impermeable advertising faces normally used with external lights. There are glossy, dark and perforated banners, which are commonly used in outdoor advertising with or without external lighting. They are also used in printing temporary offers in malls and on building facades.
- Stickers, which are a white sticky paper used for digital printing. There are many types of stickers including glossy, matte, transparent and opaque. They have multiple uses as they can be stuck on floors, walls, glass and cars.
- Tools and equipment, which include materials used for installing and removing stickers and billboards.

Projects and Finished Product Sale Division: This Division contracts activities related to large projects and large advertising companies or factories, for example printing and installing stickers for company cars and manufacturing and supplying advertising stands.

5.5.8 Marketing Department

This Department:

- Prepares the Company's annual marketing plan.
- Coordinates efforts with the Sales Department to find the best and latest sales methods.
- Promotes products through advertising and other promotion avenues.
- Addresses sales-related problems and finds quick solutions thereto.
- Strengthens the Company's relationship with the press and its status as a leading provider of outdoor advertising solutions and technologies in the Kingdom. It also launches corporate social responsibility campaigns to position the Company as a contributor to society.
- Develops advertising structures (billboards) and street furniture designs that blend public art, modern design and digital media, creates brand identities for the Company and its subsidiary and has a role in hosting corporate team building activities to create a collaborative work environment and culture.

5.5.9 IT Department

The IT Department:

- Controls local servers and monitors the cloud database server and application server.
- Sets up and monitors digital screen computers.
- Uses a remote LED display driver with the 2016 display version.
- Supports the Maintenance and Operations team to address problems related to the operation of digital screens.
- Installs applications that serve the Company's operations such as Windows 10, NTP and NovaLCT Software for Maintenance to monitor digital screens and installs and sets up BroadSign.
- Solves all technical issues related to employee computers by providing substantive and technical support services.

5.6 Employment Contracts with Senior Executives

The Company has concluded employment contracts with all members of the Company's Senior Management. These contracts stipulate their salaries and remuneration according to their qualifications and experience. Such contracts include a number of benefits such as a monthly transport allowance and/or a housing allowance. These contracts are renewable and subject to the Saudi Labour Law. The following table summarises the employment contracts with Senior Executives:

Table (5-6): Summary of Employment Contracts with Senior Executives

No.	Name	Position	Date of Appointment	Contract Term
1	Muhammad Abdelellah Alkhereiji	CEO	1 March 2010G	One year, automatically renewable
2	Mohamed Salah El-Din Albuz	CFO	1 April 2020G	One year, automatically renewable
3	Khalaf Abdullah Al-Maimouni	Director of Administrative and Personnel Affairs	19 January 2016G	One year, automatically renewable
4	Saad Abdullah Al-Qahtani	Deputy CEO, Contracts and Projects Department	24 March 1992G	One year, automatically renewable
5	Jalal Georgi Khanfour	Chief Commercial Officer	1 January 2013G	One year, automatically renewable
6	Haitham Issa Ahwash	Director of Sales, Al Arabia Out of Home Company - Dubai	1 January 2019G	One year, automatically renewable
7	Norah Majid Al-Arji	Director of Marketing	1 January 2018G	One year, automatically renewable
8	Rabih Elias Khoury	Director of Sales - Jeddah	1 April 2019G	One year, automatically renewable
9	Muhammad Shahed Shahzad	Print Shop - Riyadh	21 January 2019G	One year, automatically renewable
10	Jethroa Saock Buenapentura	Print Shop - Jeddah	21 September 2008G	Two years, to be renewed automatically
11	Roht Dharshert Satpotty	Director of Procurement and Logistics	9 January 2016G	One year, automatically renewable
12	Mustafa Fawzi Al-Saeedi	Director of Contracts and Tenders	17 June 2000G	One year, automatically renewable
13	Rabih Saeed Al-Abed	Director of Printing	4 November 2013G	One year, automatically renewable
14	Mohammad Saud Al Ghaith	Chief Strategy Officer	1 January 2021G	One year, automatically renewable
15	Arwa Mohammed Al-Turki	Chief of Staff	1 March 2021G	One year, automatically renewable
16	Muhammad Sarvers Allam	Director of Maintenance and Operations	18 August 2013G	One year, automatically renewable
17	Haitham Mazen Al Husseini	Internal Audit Supervisor	27 June 2021G	One year, automatically renewable

Source: The Company

5.7 Employment Contracts with Directors

The Company has concluded employment contracts with Directors. The Directors receive remunerations according to the Company's Bylaws consistent with the statutory controls issued in this regard. The Directors were appointed pursuant to General Assembly resolutions on the dates set out in Section 5.2.3 ("Biographies of Board Members and Board Secretary") (for further information, please refer to Section 5.8 ("Remuneration of the Directors and Senior Executives").

5.8 Remuneration of Directors and Senior Executives

Subject to the Company's Bylaws, the remuneration of Board Directors shall be determined in accordance with the official decisions and instructions issued by the Ministry of Commerce in this context and within the provisions of the Companies Law and any other relevant supplementary laws, as well as the Company's Bylaws. Attendance and transportation allowances shall be determined by the Board of Directors in accordance with the applicable laws, decisions and directives in force in the Kingdom of Saudi Arabia as defined by the competent authorities.

The following table illustrates the remuneration of Board Members and the top five Senior Executives (including the CEO and the Director of the Finance Department) for the fiscal years ended 31 December 2018G, 2019G and 2020G.

Table (5-7): Remuneration of Board Members and the Top Five Senior Executives (SAR)

	2018G	2019G	2020G
Board Members	120,000	120,000	120,000
Committee Members	0	0	0
Senior Executives	6,915,319	7,896,595	5,173,127

Source: The Company

5.9 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company undertakes to abide by the Corporate Governance Regulations issued by the Capital Market Authority on 16/05/1438H (corresponding to 13 February 2017G) and amended on 01/06/1442H (corresponding to 14 January 2021G). The Company considers ongoing compliance with these regulations to be an important factor in its continued success as. Under such regulations, the Company is required to develop a clear framework for transparency and disclosure to ensure that the Board of Directors achieves the best interest of shareholders and provides a clear and fair picture of the Company's financial results and business results.

The Company believes that adequate procedures, controls and systems enable the Company to achieve good governance and develop monitoring and accountability systems for the Company's activities and workers to address the risks involved in such activities in compliance with the Corporate Governance Regulations. As such, the Corporate Governance System was approved by the Extraordinary General Assembly on 28 November 2019G for a period of three years. The Corporate Governance System comprises:

- Corporate Governance Manual and Policy.
- Corporate Governance Structure.
- The main principles of the Corporate Governance Manual and Policy.
- Disclosure and Transparency Policy.
- Board of Directors Work Guide.
- Board Membership Policy and Procedures.
- The Board Committees.
- Code of Business Ethics and Conduct.
- Conflict of Interest Policy.
- Insider Trading Policy.
- Shareholders' Guide.
- Corporate Social Responsibility Policy.

As at the date of this Prospectus, the Company confirms that it is in compliance with all mandatory requirements of the Corporate Governance Regulations, with the exception of certain provisions that are only applicable to listed companies, given that the Company's shares have yet to be listed on the Exchange, as follows:

- Paragraph (a) of Article 8 concerning the announcement of information related to nominees to the Board of Directors on the Exchange's website when the invitation for General Assembly is made or published.
- Paragraph (c) of Article 8 related to voting in the General Assembly, which shall be confined to the Board nominees whose information has been announced as per paragraph (a) of Article 8.
- Paragraph (d) of Article 13 related to the publication of the invitation to the General Assembly on the websites of the Exchange and the Company.
- Paragraph (c) of Article 14 related to the availability of information on the items of the General Assembly through the websites of the Exchange and the Company.
- Paragraph (e) of Article (15) related to the Company announcing to the public and informing the Authority and the Exchange of the results of a General Assembly meeting immediately following its conclusion.
- Paragraph (d) of Article 17 related to notifying the CMA of the names of the Board Members, descriptions of their membership and any changes to their membership.
- Paragraph (b) of Article 19 related to notifying the CMA and Exchange immediately upon the expiry of the membership of Board Members and the reasons for such termination.
- Article 68 related to publishing an announcement of Board nominations on the websites of the Company and the Exchange to invite persons wishing to nominate themselves to the Board.

As mentioned in this Prospectus, the Board of Directors has two committees, the Audit Committee and the Nomination and Remuneration Committee. These committees shall follow up, review and examine the Company's operations within the framework of their competence and submit reports on the results and suggestions thereof to the Board of Directors.

5.10 Conflict of Interest

Neither the Company's Bylaws nor any of the Company's internal regulations and policies grant any Director or the CEO the power to vote on any contract or proposal in which they have a direct or indirect interest, in accordance with Article 71 of the Companies Law which states that no member of the board of directors should have any interest, directly or indirectly, in the transactions or contracts made for the Company, except with authorisation from the Ordinary General Assembly. This article also stipulates that such board member shall disclose to the board of directors their personal interests in the deals and contracts made for the Company, and the Chairman of the Board of Directors shall, in turn, inform the General Assembly of the deals and contracts in which a board member has a personal interest, provided that the disclosure is accompanied by a special report to be prepared by the auditor. Such disclosure shall be recorded in the minutes of the Board meeting. A Director with a conflict of interest may not participate in the vote on the resolution to be adopted in this regard. Based on the foregoing, the Directors undertake the following:

- Comply with the provisions of Articles 71, 72, 73, 74 and 75 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations.
- Refrain from voting on General Assembly resolutions pertaining to Company contracts in which the Director has a direct or indirect interest.
- Refrain from participating in any business that competes with that of the Company, unless such member has authorisation from the Ordinary General Assembly.
- In the future, all Related Party transactions will be made on an arm's length basis in accordance with the terms of the Corporate Governance Regulations.

As at the date of this Prospectus, none of the current Board Members, Senior Executives or Shareholders is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the business of Al Arabia and its branches and subsidiaries. However, the participation of Board Members in business competing with the Group is subject to an approval of the General Assembly under Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

The following table show the direct and indirect interests of Senior Executives and Directors.

Table (5-8): Direct and Indirect Interests of Senior Executives and Directors

Related Party	Nature of Relationship with the Issuer	Other Related Company	Direct/ Indirect	Related Party's Position in the Company		Description of the Related Company Business
				Partner	Director/ Manager	
Abdul Ilah Alkhereiji	Partner in Engineer Holding Group Company that owns Saudi Media Company and also owns a 40% stake in MBC Media Solutions - Dubai (under incorporation)	Engineer Holding Group Company	Indirect	Partner	Board Chair	Owns shares in these companies and does not manage (Saudi Media Company and MBC Media Solutions - Dubai (under incorporation))
Muhammed Abdelellah Alkhereiji	Partner in Engineer Holding Group Company that owns Saudi Media Company and also owns a 40% stake in MBC Media Solutions - Dubai (under incorporation)	Saudi Media Company	Direct	Partner	Board Chair	The company's activity is limited to various fields in the media, publishing, radio, websites and applications sectors. It is currently the exclusive agent of the Saudi Broadcasting Authority and also involved in the management of King Saud University Stadium and sports marketing activity.
Muhammed Abdelellah Alkhereiji	Owner of the National Alwasail Company (sole proprietorship)	National Alwasail Company	Direct	Partner (sole proprietorship)	General Manager	Operating in marketing television advertising space only.
Fatima Abdelellah Alkhereiji	Partner in Engineer Holding Group Company that owns Saudi Media Company and also owns a 40% stake in MBC Media Solutions - Dubai (under incorporation)	Engineer Holding Group Company	Indirect	Partner	Remuneration and Nominations Committee Member	Owns shares in these companies and does not manage (Saudi Media Company and MBC Media Solutions - Dubai (under incorporation))
Abdul Ilah Alkhereiji	Partner in Engineer Holding Group Company that owns Saudi Media Company and also owns a 40% stake in MBC Media Solutions - Dubai (under incorporation)	MBC Media Solutions - Dubai (under incorporation)	Direct	Partner	N/A	Operating in marketing television advertising space only.
Muhammed Abdelellah Alkhereiji	Partner in Engineer Holding Group Company that owns Saudi Media Company and also owns a 40% stake in MBC Media Solutions - Dubai (under incorporation)	MBC Media Solutions - Dubai (under incorporation)	Direct	Partner	Board Chair	Operating in marketing television advertising space only.
Khalaf Abdullah Al-Maimouni	HR Manager	National Alwasail Company	Direct	-	Manager	Operating in marketing television advertising space only.
Muhammed Abdelellah Alkhereiji	Partner in Engineer Holding Group Company that owns Saudi Media Company and also owns a 40% stake in MBC Media Solutions - Dubai (under incorporation)	Engineer Holding Group Company	Direct	Partner	CEO	Owns shares in these companies and does not manage (Saudi Media Company and MBC Media Solutions - Dubai (under incorporation)).

Source: The Company

Except as stated above, the Company's Management confirms that none of the Senior Executives or the Board Secretary or any of their relatives hold any direct or indirect interests in the equity or debt securities of the Issuer or its subsidiary or any interest in any other matter that may affect the Issuer's business.

The following table details the participation of Board Members in activities that are similar to or compete with the Company.

Table (5-9): Board Members Involved in Companies that Conduct Activities Similar to or in Competition with the Company through Board Membership or Capital Shareholding

Board Member	Another Company Related to a Board Member	Position of the Board Member in the Related Company		Nature of the Company's Business
		Owner	Director/Manager	
Muhammad Abdelellah Alkhereiji*	Saudi Media Company and National Media Company**	Yes	No	Promotion and Advertising

Source: The Company

* Muhammad Abdelellah Alkhereiji will be appointed a member of the Board of Directors of MBC Media Solutions - Dubai. The procedures for its establishment have not been completed nor has its purpose been specified. Accordingly, it is not possible to determine whether it will engage in works similar to or competing with the Company. If the purposes of MBC Media Solutions are specified and it is found that it may perform works similar to or competing with the Company, the Company will present this matter to the General Assembly for approval.

** These transactions were approved by the shareholders in the Extraordinary General Assembly held on 23/07/1441H (corresponding to 18 March 2020G).

The Company entered into eight contracts with Related Parties that were presented to and approved by the Company's Extraordinary General Assembly held on 23/07/1441H (corresponding to 18 March 2020G) and 01/08/1442H (corresponding to 14 March 2021G). The value of transactions between the Company and Related Parties was SAR 377,087,083, SAR 180,185,787.5, and SAR 44,549,273 for the years 2018G, 2019G and 2020G. Note that the Company has awarded leases valued at SAR 225,500 to parties related to Abdelellah Abdulrahman Alkhereiji and House of Skill Real Estate Company valued at SAR 445,000. Such contracts were approved by the Extraordinary General Assembly (for more information, refer to Section 12-9 ("Material Contracts with Related Parties")).

Table (5-10): Summary of Transactions Between the Company and Related Parties that are not Subject to Formal Contracts

It should be noted that there are transactions that are not subject to official contracts between the Company and High-End Hotels Company, High-End Restaurants Company, House of Skill Trading Company, SignWorld, Al Miza Outdoor Advertising Company, Advanced Digital Systems Company, Engineer Holding Group Company, Saudi Media Company, Al-Zad Forum Tourism Company and MBC Holding Group Ltd., which are Related Parties. All these transactions were approved in the Company's General Assembly held on 22/06/2021G. The following table illustrates the details of the Company's transactions with Related Parties that are not subject to formal contracts:

Table (5-11): Summary of Transactions Between the Company and Related Parties that are not Subject to Formal Contracts

No.	Related Party	Nature of Contract/ Transaction	Related Parties	Nature of Relationship	Type of Interest	Transaction value during the fiscal year ended 31 December 2018G (SAR)	Transaction value during the fiscal year ended 31 December 2019G (SAR)	Transaction value during the fiscal year ended 31 December 2020G (SAR)
1	House of Skill Trading and Contracting Company	Cash transfers	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	15,812,201	2,200,000	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Manager			
2	House of Skill Trading and Contracting Company	Expenses	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ Manager	2,000,000	2,710,000	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Manager			
3	House of Skill Trading and Contracting Company	Expenses	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	1,650,236	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Manager			
4	High-End Hotels Company	Cash transfers	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	183,000,000	101,231,240	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
5	High-End Hotels Company	Expenses	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	3,959,653	3,053,750	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
6	Engineer Holding Group Company	Cash transfers	Muhammed Alkhereiji	The Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	2,226,873**	200,000	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji has an interest in the contracting party	Partner/ manager			
7	Engineer Holding Group Company	Salaries, wages and other benefits	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	1,111,012	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner/ manager			

No.	Related Party	Nature of Contract/ Transaction	Related Parties	Nature of Relationship	Type of Interest	Transaction value during the fiscal year ended 31 December 2018G (SAR)	Transaction value during the fiscal year ended 31 December 2019G (SAR)	Transaction value during the fiscal year ended 31 December 2020G (SAR)
8	Saudi Media Company	Cash transfers	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ Chair-man of the board	-	3,283,793	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
9	Saudi Media Company	Salaries, wag-es and other benefits	Muhammed Alkhereiji Abdelellah Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ Chair-man of the board	-	12,298,714	-
10	Advanced Digital Systems	Expenses	Muhammed Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner	-	368,947	-
			Abdelellah Alkhereiji	The Director Muhammed Abdelellah Alkhereiji, has an interest in the contracting party	Partner/ manager			
11	Engineer Holding Group Company	Dividends	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	24,000,000
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner/ manager			
12	Engineer Holding Group Company	End of service transfer	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	1,405,066
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner/ manager			
13	MBC Group Holdings Ltd.	Sales*	Samuel Barnett	The Director Samuel Barnett has an interest in the contracting party	Board Member	-	-	2,832,942
14	Al Arabia Out of Home	Adjustment	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	2,495,005
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
15	Al Arabia Out of Home	Payments on behalf of the Company	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	3,380,420
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			

No.	Related Party	Nature of Contract/ Transaction	Related Parties	Nature of Relationship	Type of Interest	Transaction value during the fiscal year ended 31 December 2018G (SAR)	Transaction value during the fiscal year ended 31 December 2019G (SAR)	Transaction value during the fiscal year ended 31 December 2020G (SAR)
16	Al Arabia Out of Home	Collections on behalf of the Company	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	6,177,645
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
17	Al-Zad Forum Travel Company***	Sales*	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	670,929
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
18	High-End Hotels Company	Sales*	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	309,374
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
19	High-End Restaurants Company	Sales*	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	75,879
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
20	Al-Zad Forum Travel Company***	Collections*	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	72,728
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
21	Saudi Media Company	Sales*	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ Chairman of the Board	-	-	60,559
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
22	High-End Restaurants Company	Collections*	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	42,349
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			

No.	Related Party	Nature of Contract/ Transaction	Related Parties	Nature of Relationship	Type of Interest	Transaction value during the fiscal year ended 31 December 2018G (SAR)	Transaction value during the fiscal year ended 31 December 2019G (SAR)	Transaction value during the fiscal year ended 31 December 2020G (SAR)
23	House of Skill Trading and Contracting Company	Advance payments for works	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	36,230
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Manager			
24	High-End Hotels Company	Collections*	Muhammed Alkhereiji	Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	-	-	9,148
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
25	Advanced Digital Systems	Net transfer of assets and liabilities	Muhammed Alkhereiji	The Director Muhammed Abdelellah Alkhereiji has an interest in the contracting party	Partner/ manager	17,076,560	-	-
26	Al-Zad Forum Travel Company***	Cash transfers	Muhammed Alkhereiji	The Director Muhammed Alkhereiji has an interest in the contracting party	Partner/ manager	1,003,953	-	-
			Abdelellah Alkhereiji	The Chairman of the Board of Directors, Abdelellah Alkhereiji, has an interest in the contracting party	Partner			
Total**						**225,079,240**	**128,107,692**	**41,568,274**

* These sales and collections were concluded in accordance with the Company's business model with its clients, as the Company does not rely on formal contracts with its clients. For more information, please see Section 4.7.1 ("The Company's Business Model with its Clients")

** The amount was shown for Al-Hadaf Al-Mumayaz Holding Company in the financial statements of 2018G, which is the former name of Engineer Holding Group.

*** Shown in the financial statements under the name Al-Zad Forum Company.

**** The total of these transactions differs from the amount stated in the Company's financial statements. This table only represents the total transactions concluded between the Company and Related Parties that are not subject to formal contracts. On the other hand, the financial statements contain the total value of transactions with Related Parties, which include transactions with Related Parties subject to formal contracts, in addition to transactions with Related Parties that are not subject to formal contracts.

Source: The Company

5.11 Employees

As at 31 December 2020G, the Company had 374 employees (of whom 21.93% were Saudi nationals). The tables below show the distribution of employees according to sector and Saudization percentage.

Prior to the Offering, there are no equity programs for the Company's employees or other arrangements by which employees may hold shares in the Company's capital. The Company does not intend to involve employees in any program during the Offering Period.

6- Financial Information and Management's Discussion and Analysis

6.1 Introduction

The section "Management's Discussion and Analysis of Financial Conditions and Results of Operations" of the Arabian Contracting Services Company, a Saudi closed joint stock company, includes an analytical review of the Company's performance and financial position during the fiscal years ended 31 December 2018G ("**FY 2018G**"), 31 December 2019G ("**FY 2019G**") and 31 December 2020G ("**FY 2020G**").

This section is based on financial statements audited in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications issued by the Saudi Organisation for Certified Public Accountants (SOCPA). The consolidated financial information for the fiscal years ended 31 December 2018G and 2019G were used. They are derived from comparative financial information presented in the Company's financial statements for the fiscal year ended 31 December 2019G and consolidated financial statements for the fiscal years ended 31 December 2019G and 31 December 2020G. The financial statements were audited by Baker Tilly MKM (Chartered Accountants).

Neither Baker Tilly MKM (Chartered Accountants) nor any of its subsidiaries, employees or relatives thereof own any shares or interest of any kind in the Company and its subsidiary or sister companies in a manner that would affect its independence. As at the date of this Prospectus, the Auditors have provided and have not withdrawn their written consent to the reference to their role as Auditor of the Company and its subsidiaries for the fiscal years ended 31 December 2018G, 2019G and 2020G in this Prospectus.

This section also includes specific future statements regarding the future capabilities of the Company based on the current plans and expectations of the Management regarding the Company's growth, results of operations and financial conditions, and may include risks and uncertain expectations. The Company's actual results may differ materially from those stated explicitly or implicitly in these expectations due to various factors and future events, including those stated in this section and elsewhere in this Prospectus, especially those referred to in Section 2 ("**Risk Factors**").

The numbers in this section are stated in Saudi Riyals and have been rounded to the nearest thousand. As such, the totals may differ from those stated in the tables. All annual ratios, margins and expenses are also based on rounded figures.

6.2 Board Members' Declaration on the Financial Information

The Board Members declare that the financial information presented in this section is prepared on a consolidated basis and derived without material changes and in compliance with the Company's financial statements for the fiscal years 2018G, 2019G, and 2020G. The Board Members also declare that the financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board approved in the Kingdom of Saudi Arabia and other standards and publications issued by SOCPA.

The Board Members also declare that the Company and its subsidiaries have working capital that is sufficient for at least 12 months following the date of this Prospectus.

The Board Members declare that there has been no material adverse change in the Company's financial or business position in the three fiscal years directly preceding the date of application for listing and offer of the securities that are the subject of this Prospectus, as well as within the period from the end of the period included in the Auditor's report until the date of approval of this Prospectus.

The Board Members declare that there is no intention of making any material changes in the nature of the Company's activities.

The Board Members confirm that the Company's operations have not been suspended during the past twelve months in a manner that could significantly or has already affected its financial position.

The Board Members confirm that all material facts related to the Company and its subsidiary and financial performance have been disclosed in this Prospectus, and that there is no other information, documents or facts the omission of which would make any statement herein misleading.

The Board Members confirm that the Company does not have any property, including contractual securities or other assets the value of which is subject to fluctuations or difficult to ascertain, which significantly affects the evaluation of the financial position.

The Board Members declare that no commissions, discounts, brokerage fees or non-cash compensation was given by the Company to a Board Member, senior manager or expert in relation to the issuance or offering of any securities during the three years immediately preceding the date of application for listing and offering the securities that are the subject of this Prospectus.

The Company's Board Members confirm that, except as disclosed in Section 12.7.4 ("**Shareholders Agreement**"), none of the Company's shares are subject to any option right as at the date of this Prospectus. The Company's Board Members also confirm that the capital of the Company's subsidiary is not subject to any option right as at the date of this Prospectus.

The Board Members declare that, except as disclosed in the Section "Financing Agreements" of this Prospectus, there are no debt instruments issued, existing or approved but not yet issued, term loans, or mortgaged loans with the Company.

The Board Members declare that, except as disclosed in the Section "Financing Agreements" of this Prospectus, there are no loans, mortgages or charges related to its properties as at the date of this Prospectus and as at 31 December 2019G and 2020G.

The Board Members declare that there are no material fixed assets to be purchased or leased by the Company and its subsidiary companies as at the date of this Prospectus and as at 31 December 2019G and 2020G.

Under the option right, MBC Group Holdings Ltd. has the right to acquire from Engineer Holding Group Company shares equivalent to fifteen percent (15%) of the Company shares issued during the purchase option period. MBC Group Holdings Ltd. may exercise the purchase option one time only. The Purchase Option shall be exercisable from the date the CMA approves the Company's listing or on 01 January 2021G. For further information, please see Section 7.18 ("**Lock-up Period**"). The purchase option for MBC Group Holdings Ltd. expires after 01 January 2024G (plus the Lock-up Period).

6.3 Overview of the Company

The Arabian Contracting Services Company is a closed Saudi joint stock company (the "**Company**") registered in Riyadh on 18 Jumada Al-Ula 1403H (corresponding to 03 March 1983G) under Commercial Register No. 1010048419.

The main activity of the Company and its branches include contracting and construction works, purchase of lands and real estate for the construction of buildings for the Company, establishment, preparation and maintenance of displays, road works, mechanical works and building works, and import, export, wholesale and retail trade in advertising billboards and materials and all types of printing materials, supplies and equipment.

On 30 Safar 1440H (corresponding to 06 November 2018G), the Board of Directors of the Arabian Contracting Services Company decided to reduce the capital from SAR 550 million to SAR 250 million. This proposal was approved by the Extraordinary General Assembly on 27/03/1440H (corresponding to 06 December 2018G).

On 13 Rabee Al-Awal 1441H, corresponding to 11 November 2019G, the Board of Directors of the Arabian Contracting Services Company decided to increase the capital by SAR 250 million to be SAR 500 million. The Company transferred SAR 75 million and SAR 175 million from the statutory reserve and the retained earnings, respectively, to the capital. This was approved by the 16th Extraordinary General Assembly held on 28 November 2019G, under Item No. 4.

The Company has two subsidiaries and one branch. The subsidiaries were Rawiyya Printing Co. in Ajman, UAE (equity ownership: 49.0%), and Media Solutions Co. in the UAE (equity ownership: 100.0%). These subsidiaries were dissolved on 27 December 2016G. Rawiyya Printing Co. in Ajman, UAE had losses and was fully dissolved, while Media Solutions Co. was replaced with Al Miza Outdoor Advertising Co. The branch, SignWorld Factory, was changed to the National Signage Industrial Company, and the Company was removed from the Group and became a related company.

On 11 Rabee Al-Thani 1441H, corresponding to 09 December 2019G, the Board of Directors of the Arabian Contracting Services Company decided to approve the shareholders' assignment of their shares in the Company at its book value to Engineer Holding Group Company, which is owned by the same shareholders. Consequently, 70% of the shares are held by Engineer Holding Group Company and 30% are held by Abdelellah Alkhereiji.

On 01 Ramadan 1441H, corresponding to 24 April 2020G, Abdelellah Alkhereiji sold two million, five hundred thousand (2,500,000) shares in the Company (representing 5% of the Company's capital) to MBC Group Holdings Ltd. as a new shareholder in the Company.

Based on the share sale and purchase agreement concluded between Abdelellah Abdulrahman Alkhereiji and MBC Group Holdings Ltd. on 24 April 2020G, the current shareholder Abdelellah Abdulrahman Alkhereiji sold 5% of the Company's capital to MBC Group Holdings Ltd. The Current Shareholders agreed to the terms and conditions of a shareholders' agreement signed on 28 July 2020G. This agreement includes terms and conditions that MBC Group Holdings Ltd. and Engineer Holding Group Company agreed upon for the right to purchase 15% of the Company's shares and the pre-emption rights. This agreement will remain effective after the Offering (for more information, see Section 12.7.4 ("**Shareholders Agreement**").

The accompanying consolidated financial statements include the activities of the Company and its subsidiaries stated below, which operate under the following subsidiary commercial registers:

Table (6-1): Branches of the Company

Fiscal Year Ended 31 December 2020G			
Branch	**Commercial Register No.**	**Place of Registration**	**Date of Registration**
Al Arabia Company Rawiyya Printing Press	1010057812	Riyadh	14 Jumada Al-Ula 1405H (corresponding to 05 February 1985)
Branch of the Arabian Contracting Services Company	1010062303	Riyadh	02 Rajab 1406H (corresponding to 13 March 1986)
Ain Al Arabia Advertising Company	1010500526	Riyadh	18 Rabee Al-Thani 1440H (corresponding to 27 December 2018)
Arabian Contracting Services Company	4030058296	Jeddah	12 Muharram 1408H (corresponding to 06 September 1987)
Al Arabia Company Rawiyya Printing Press in Jeddah	4030275525	Jeddah	30 Muharram 1435H (corresponding to 04 December 2013)

Source: Audited financial statements

6.4 Subsidiary

The Company currently has one wholly owned subsidiary. The following is an overview of this subsidiary:

- **Al Arabia Out of Home Advertising Company - Dubai - United Arab Emirates**

Al Arabia Out of Home Advertising Company was incorporated with a capital of one hundred thousand Emirati dirhams (AED 100,000) (equivalent to about one hundred two thousand Saudi Riyals (SAR 102,000)) divided into one hundred (100) shares with a value of one thousand Emirati dirhams (AED 1,000) per share. This company's head office is located in Dubai Media City in the Emirate of Dubai, United Arab Emirates (which is a free zone). The company holds Commercial License No. 95928 dated 18 April 2019G.

The Company has nine (9) employees, including an executive officer (Haitham Ahwash). He is listed as a senior executive in Section 5.4.1 ("**Senior Management Members**").

Al Arabia used to market the Company's advertising spaces to advertising agencies and media buyers in the United Arab Emirates before the Company was established in 2019G through Al Miza Outdoor Advertising Company, which was owned by the Board Member Mohammed Abdelellah Al-Khureiji.

The following table illustrates the ownership structure of Al Arabia Out of Home Advertising Company:

Table (6-2): Ownership Structure of Al Arabia Out of Home Advertising Company

Name	Cash Shares	Value of Each Share	Total Value of Shares (AED)	Ownership (%)
Arabian Contracting Services Company	100	1,000	100,000	100%

Source: Company information

Note that this company operates as a representative office of Al Arabia and markets the Company's advertising spaces to advertising agencies and media buyers in the United Arab Emirates without entering into contracts with any of these parties. The contracts are made directly with the Company. The Company established this company in Dubai Media City (Free Zone) on the grounds that all advertising agencies and major media buyers are located within the same free zone.

The subsidiary has no financial statements for the fiscal year ended 31 December 2019G, due to its recent incorporation. Its first fiscal year will be for the period ended 31 December 2020G.

6.5 Basis of Preparation and Summary of Significant Accounting Policies

In fiscal year 2018G, the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) approved in the Kingdom of Saudi Arabia and other standards and publications issued by the Saudi Organisation for Certified Public Accountants (SOCPA) were initially adopted.

The audited financial statements for FY 2018G are the first financial statements of the Company prepared in accordance with IFRS issued by IASB as approved in the Kingdom of Saudi Arabia and other standards and publications issued by SOCPA in the Kingdom of Saudi Arabia.

The Company has prepared its financial statements for the fiscal years 2018G, 2019G, and 2020G in accordance with these standards.

Following is the basis of preparation and summary of significant accounting policies for the audited financial statements for the fiscal year ended 31 December 2018G prepared in accordance with IFRS issued by IASB as approved in the Kingdom of Saudi Arabia, other standards and publications issued by SOCPA, and the Company's audited financial statements for the fiscal year ended 31 December 2019G and 2020G. These financial statements are presented in Saudi Riyals, representing the Company's functional currency. Unless otherwise stated, these audited financial statements have been rounded to the nearest thousand.

6.5.1 Critical Accounting Estimates and Judgements

The preparation of the Company's consolidated financial statements in accordance with IFRS requires Management to make estimates and assumptions that may affect the values included in the consolidated financial statements. These values may differ from previous estimates. It also requires Management to make judgements when applying the Company's accounting policies. Below are the opinions, estimates and critical assumptions of the Company related to future reasons.

Opinions

When applying the Company's accounting policies, Management expresses the following opinions that have a material impact on the amounts included in the Company's financial statements for FY 2018G and the consolidated financial statements for FY 2019G and 2020G.

Estimates and Assumptions

Key assumptions concerning the future or other key sources of estimation uncertainty at the date of the financial position that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

Impairment of Accounts Receivable

The determination of impairment of trade receivables is based on estimation. An impairment of trade receivables is recognised when there is objective evidence that the Company will not be able to collect its debts. Bad debts are written off when identified. The criteria for determining the amount to be impaired or written off include aging analysis, technical assessments and subsequent events. Recognition of impairment and reduction of receivables is subject to the approval of management. Impairment of trade receivables is charged to the statement of comprehensive income or loss and disclosed under general and administrative expenses. A trade receivable is eliminated when it is not collectible from the provision for impairment in the statement of comprehensive income. Where subsequent events cause a decrease in the impairment of trade receivables, then such impairment of trade receivables shall be reversed through the statement of comprehensive income.

Impairment of Inventory Balances

Determination of the inventory provision is based on estimation. The carrying cost of inventories is reduced and included in the net realisable sale value when inventories are damaged or become obsolete in whole or in part, or when selling prices decrease. The criteria for determining the amount to be impaired or written off include aging analysis, technical assessments and subsequent events. Recognition of provisions is subject to the approval of management.

Useful Lives of Property, Plant and Equipment

The Company determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is made based on the expected use of the asset or factors of physical wear and tear experienced by an asset in use. Management reviews the residual value and useful lives on an annual basis, and future depreciation expense would be adjusted where management believes that useful lives differ from previous estimates.

Impairment of Property and Equipment

The Company's management evaluates the impairment of property and equipment where there are events or changes in circumstances that indicate that the carrying amount may not be recovered. Factors which are considered significant and lead to an impairment review include, but are not limited to:

- Significant changes in technology and the regulatory environment.
- Evidence based on internal reporting that the economic performance of the asset will be or is expected to be poor.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the statement of comprehensive income.

Uncertain Zakat Status

The Company's current Zakat payable relates to Management's assessment of the amount of Zakat due for 2019G. It is probable that the final result will differ when the final assessment is issued by GAZT in future periods. The Company's Zakat status was disclosed in paragraph 6.6.8 of this section.

Right of Use

The Company's management has determined the discount rate based on the average discount rates under which it obtained the loans during the year according to its estimates. At the end of each fiscal period, the Company determines whether or not there is an impairment of the right of use and whether there are events or changes in circumstances that indicate that the book value may not be recoverable. These include factors which are considered significant which trigger an impairment review.

Changes in Accounting Policies

Issued in January 2016G, IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases-Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019G. Early adoption is permitted, but IFRS 15 must be applied. A lessee can elect to apply the standard on either a full or modified retrospective basis. The transitional provisions of the standard allow for some exemptions.

6.5.2 Summary of Significant Accounting Policies

The attached consolidated financial statements have been prepared in accordance with IFRS-Kingdom of Saudi Arabia and other standards and publications issued by SOCPA. The Company prepared and presented its financial statements up to the year ended 31 December 2020G in accordance with IFRS approved by SOCPA and the requirements of the Saudi Companies Law and the Company's Bylaws regarding preparation and presentation of the consolidated financial statements.

6-5-2-1 Basis of Measurement

The Company's financial statements for FY 2018G and the consolidated financial statements for FY 2019G and 2020G have been prepared on the basis of the historical cost convention except for employee defined benefits, which are measured at the present value of future liabilities using the projected credit method. In addition, these consolidated financial statements are prepared using the accrual basis of accounting and the going concern concept.

6-5-2-2 Functional and Presentation Currency

The consolidated financial statements are presented in Saudi Riyals, being the functional currency used in preparing financial reports of the Head Office. Amounts are shown in full unless otherwise stated.

6-5-2-3 Accounting Convention

The attached consolidated financial statements have been prepared in accordance with the historical cost principle, the accrual principle and the going concern principle.

6-5-2-4 Basis of Consolidation

Upon preparation of the consolidated financial statements, the following steps are taken:

- The book value of a holding company's investment in each subsidiary is excluded, along with the holding company's share of equity in each subsidiary.
- Non-controlling interests are recognised in the consolidated comprehensive income of the subsidiary during the period for which the financial statements are prepared.
- Non-controlling interests are determined in the net assets of the consolidated subsidiary and presented in the financial statements separately from the parent's equity; the non-controlling equity in net assets consists of:
    1. The amount of non-controlling interest at the original consolidation date, and
    2. The share of non-controlling interests in the change in equity as at the date of consolidation.
- Transaction balances, revenues and expenses exchanged between the Company and its subsidiary are completely eliminated.
- Financial statements of a parent and its subsidiary companies used in preparing the consolidated financial statements should be prepared as at the same reporting date.
- Consolidated financial statements shall be prepared using uniform accounting policies for similar transactions and events that occur in the same circumstances.
- Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the owners of the parent's equity. The non-controlling interest is presented as a separate portion of the group's profit or loss.

The consolidated financial statements include the accounts of the Company and subsidiaries in which it owns more than 50% in equity or has control over said subsidiary for the purpose of preparing these consolidated financial statements.

The financial statements of the Company as at 31 December 2019G and 202G include Al Arabia Out of Home Advertising Company - Dubai - UAE - a limited liability company incorporated in the United Arab Emirates. It is the Company's wholly owned subsidiary, with a capital of AED 100,000 (FZ Co.).

6-5-2-5 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and impairment, if any. Repair and maintenance expenses are administrative expenses, while improvement expenses are capital expenditures. Depreciation for such is calculated based on its estimated useful life using the straight-line method.

The estimated useful lives of the principal items of such assets are as follows:

Table (6-3): The Useful Life of Assets

Asset Class	Years
Buildings	20 years
Static and Dynamic Billboards	7 years
Vehicles	4 years
Furniture	10 years
Machines and Equipment	10 years

Source: Audited financial statements

6-5-2-6 Classification of Assets and Liabilities as Current or Non-Current

The Company presents assets and liabilities in the statement of financial position based on a current/non-current classification. An asset is classified as current when:

- it is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the date of the statement of financial position; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the date of the statement of financial position.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the date of the statement of financial position; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the date of the statement of financial position. The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

6-5-2-7 Inventory

Inventory is shown at the cost or market price, whichever is less. Paper, printing materials and other spare parts of inventory are evaluated on a weighted average cost basis. Provision is made for idle and slow-moving inventory.

6-5-2-8 Accounts Receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After the initial measurement, in accordance with IFRS 9 (Financial Instruments), these financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. The effective interest rate method amortisation is included in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

6-5-2-9 Transactions with Related Parties

Related Parties comprise sister companies, Substantial Shareholders, Directors and Senior Management of the Company, and the companies controlled or subject to joint control or substantial influence by those Related Parties.

6-5-2-10 Impairment of Assets

The Company conducts a periodic review of the carrying amount of tangible and intangible assets to verify whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised in the statement of profit or loss.

6-5-2-11 Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash in hand and deposits held with banks, which have maturities of three months or less, subject to insignificant risk of changes in values.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances, as they are an integral part of the Company's cash management.

6-5-2-12 Employee Benefit Obligations

End-of-service indemnities are realised in the financial statements in accordance with the Saudi Labour Law based on the period served by the employee at the Company.

The cost of employee benefits is determined under defined-benefit plans separately for each plan using the projected unit credit method.

Re-measurement, which consists of actuarial gains and losses, is recognised immediately in the statement of financial position and included in retained earnings through other comprehensive income in the period in which they occur. Re-measurement is not reclassified to the statement of comprehensive income in subsequent periods.

6-5-2-13 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are included in the cost of the asset All other borrowing costs are recognised as an expense in the period they are due. Borrowing costs are interest and other costs that an entity incurs in connection with borrowing funds.

6-5-2-14 Loans

This is the most suitable category for the Company. After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method. Gains or losses are recognised in the statement of comprehensive income when liabilities are settled and when amortised by the effective interest rate method.

6-5-2-15 Outstanding Liabilities to Suppliers and Banks

Liabilities are recognised for amounts to be paid for goods and services received, whether or not they are billed to the Company.

6-5-2-16 VAT

Revenues, expenses and assets are recognised net of the value of sales taxes and the amount of VAT, except:

- Where VAT incurred on the purchase of assets or services are not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of VAT included.
- The net amount of VAT recoverable from, or payable to, the taxation authority is included within accounts receivable or payable in the statement of financial position.

6-5-2-17 Zakat

The Company is subject to the instructions of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is recognised in accordance with the accrual basis of accounting. The Zakat charge is computed on the higher of the Zakat base or adjusted net income. Any difference between the provision and final assessment is recorded when the final assessment is approved, at which time the provision is cleared.

6-5-2-18 Revenue Recognition

The Company recognises revenues in accordance with contracts based on the accrual basis of accounting when providing services to clients. Other income is recognised when acquired.

Revenues from contracts with clients is recognised when control of the goods or services is transferred to the client at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those goods or services.

The Company applies revenues to contracts with clients based on a five-step model as described in IFRS 15.

- **Step 1:** Identify the contract with a client: a contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- **Step 2:** Identify performance obligations in the contract: a performance obligation is a promise in a contract with a client to transfer a good or service to the client.
- **Step 3:** Determine the transaction price: the transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a client, excluding amounts collected on behalf of third parties.
- **Step 4:** Allocate the transaction price to the performance obligations in the contract: for a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- **Step 5:** Recognise revenues when the Company satisfies a performance obligation.

6-5-2-19 Discount Granted to Clients

The Company provides discounts to some clients when the value of contracts executed during the period exceeds a certain limit under the contract. Discounts are deducted against amounts owed by the client. The Company applies requirements for recognising estimates of variable consideration and recognises a refund obligation for expected future discounts.

6-5-2-20 Cost of Obtaining a Contract

The Company pays the costs of tenders and technical studies made by third parties in order to obtain contracts. These costs are capitalised and amortised on a straight-line basis over the term of the contract. After the Company's adoption of IFRS 16 "Leases", the depreciation and financing benefits resulting from the initial application of such standard represent the cost of obtaining the contract.

6-5-2-21 Contracts Expected to be Lost

If the Company anticipates losing a contract, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

6-5-2-22 Expenses

Selling and distribution expenses mainly consist of the costs incurred to market the Company's activity. Other expenses are classified as general and administrative expenses or selling and distribution expenses, depending on their nature.

6-5-2-23 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at its commencement date. The arrangement is or contains a lease if its fulfilment depends on the use of a specific asset(s) or assets and the arrangement conveys a right to use a specific asset(s) even if this right is not expressly provided for in the contract.

For arrangements made prior to 1 January 2016, the commencement date occurs on 1 January 2016, in accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards).

6-5-2-24 The Company as a Lessee

At the commencement of the lease, the finance lease pursuant to which the Company substantially transfers all risks and benefits associated with ownership of the leased item is capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments should be apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the lower of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

6-5-2-25 Foreign Currency

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising out of settlement or translation of monetary items are recognised in comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in statement of comprehensive income or profit or loss are also recognised in OCI or comprehensive income, respectively).

6.6 Key Factors Affecting the Company's Business

- **Seasonal Factors and Economic Cycles**

The Company's business, i.e., the "advertising industry", is positively affected by seasonal factors, which are concentrated in the back-to-school season, the month of Shaban and the first two weeks of Ramadan every year, due to the increase in advertising campaigns related to various Ramadan offers. There was also a positive impact on advertising revenue in May 2019G, driven by Jeddah Season held by the General Entertainment Authority (GEA). Moreover, GEA held events in Riyadh (Riyadh Season) from October 2019G to December 2019G, which required additional advertising campaigns that increased advertising revenue in those months.

The Company's activity is also positively affected by the end of fiscal years when demand goes up and advertisers' spending increases.

However, the sector is negatively affected by annual slowdowns where there are no events or increased consumer demand, including (1) annual holidays and Eids, and (2) January and February of each year, which are the months with the lowest sales for Al Arabia's. Clients' advertising budgets are not finalised until March, which results in lower demand during those months.

The advertising industry is at the forefront of the industries affected by economic cycles because of their direct impact on the economic changes in the country.

- **Expanding the Company's Portfolio**

The Company's business model is based on the availability of an integrated advertising network compatible with state-of-the-art technologies in all cities and regions of the Kingdom of Saudi Arabia to attract more advertisers. This requires planned and thoughtful expansion of the Company's operational portfolio and has a positive impact on increasing the advertising network and advertising spaces available to the Company around the Kingdom of Saudi Arabia. In addition, this enhances the introduction of new non-traditional advertising media, such as digital billboards, while entering new advertising markets such as commercial centres and residential complexes.

- **Cost Drivers**

The Company's business is materially affected by cost, especially with regard to the cost of leasing billboard sites, which represents the basic cost in the industry and accounts for 85% of the cost of revenue. Therefore, changes in that cost have a significant impact on the results of the Company's business. Note that this cost will be affected, either positively or negatively, if tenders are reopened and the Company is the successful bidder.

- **Risks Related to Competition**

The advertising industry is one of the industries that is sensitive to competition, especially with regard to competition through other types of advertising (such as social media) or other competitors in the same field offering competitive prices to advertisers. This is also the case if the Company loses certain advertising sites after a contract ends because the tender is reopened and a competitor is awarded the tender after submitting a higher price (rental cost). Risks Related to Realisation of Growth Targets and Higher Occupancy Rates

The Company's business is affected by the extent to which the planned growth targets are achieved, which are in turn affected by changes in spending rates and performance indicators in the advertising market in general. Moreover, the Company's business is affected by occupancy rates associated with the demand for advertising, especially in seasons in which client requests for reservations decrease, given those periods have the greatest impact on the Company's annual occupancy rates.

- **Risks Related to Political Instability and Security Concerns in the Middle East**

The Middle East is exposed to a number of political and security risks (such as wars and political upheaval), which may affect the Kingdom of Saudi Arabia. In addition, the political, economic and social environment in the region remains subject to continuous developments, which results in a great degree of uncertainty in relation to investments. As the Company's assets, operations, and client base are currently located in the Kingdom of Saudi Arabia, any unexpected changes in the political, economic, social, security or other conditions of the MENA region may have an adverse effect on the Kingdom of Saudi Arabia's market, which would have a material adverse effect on the Company's business, financial position, results of operations, and prospects.

6.7 Summary of Financial Information and Key Performance Indicators for the Fiscal Years Ended 31 December 2018G, 2019G and 2020G

6.7.1 Statement of Income

Table (6-4): Comprehensive Income Statements for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G.

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2018G–2020G	2019G–2020G
Revenues	639,157	787,498	497,585	23.2%	(36.8%)	(11.8%)
Cost of revenue	(449,023)	(451,075)	(398,540)	0.5%	(11.6%)	(5.8%)
Gross profit	**190,134**	**336,424**	**99,046**	**76.9%**	**(70.6%)**	**(27.8%)**
Selling & marketing expenses	(20,369)	(42,422)	(11,066)	108.3%	(73.9%)	(26.3%)
General and administrative expenses	(22,864)	(29,550)	(36,553)	29.2%	23.7%	26.4%
Profit from the main ongoing business	**146,900**	**264,452**	**51,427**	**80.0%**	**(80.6%)**	**(40.8%)**
Finance expenses	(4,649)	(31,573)	(21,252)	579.1%	(32.7%)	113.8%
Other revenues, net	600	1,213	327	102.2%	(73.0%)	(26.2%)
Net profit before Zakat	**142,850**	**234,092**	**30,502**	**63.9%**	**(87.0%)**	**(53.8%)**
Zakat	(9,164)	(8,746)	(5,301)	(4.6%)	(39.4%)	(23.9%)
Net profit	**133,686**	**225,346**	**25,201**	**68.6%**	**(88.8%)**	**(56.6%)**
KPIs				**%**		
Gross profit margin*	29.7%	42.7%	19.9%	43.8%	(53.4%)	(18.1%)
Selling and marketing expenses as a percentage of revenues	3.2%	5.4%	2.2%	68.8%	(59.3%)	(17.1%)
General and administrative expenses as a percentage of revenues	3.6%	3.8%	7.3%	5.6%	92.1%	42.4%
Net operating profit margin**	23.0%	33.6%	10.3%	46.1%	(69.3%)	(33.1%)
Net profit margin***	20.9%	28.6%	5.1%	36.8%	(82.2%)	(50.6%)

Source: Audited financial statements

* Gross profit margin = gross profit/total revenues

** Net operating profit margin = net operating profit/total revenues

*** Net profit margin = net profit/total revenues

The Company's revenues are distributed over two key sections, referred to as outdoor advertising and printing. In 2020G, sales from advertising accounted for 91.7% of total revenue, while printing revenue accounted for 8.3%.

Revenues rose by 23.2%, in the amount of SAR 148.3 million, from SAR 639.2 million in 2018G to SAR 787.5 million in 2019G, primarily due to: (1) increased spending on advertising by certain key clients; (2) the full-year impact of the introduction of a new product (Mezah billboards).

Revenues dropped from SAR 787.5 million in 2019G to SAR 497.6 million in 2020G, due to the outbreak of the COVID-19 pandemic and the subsequent curfew and decreased spending on outdoor advertising by clients.

During the first quarter of 2020G, revenue from outdoor advertising rose by 10.9% compared to the first quarter of 2019G, primarily due to increased spending on outdoor advertising by certain clients, such as the Ministry of Culture and Tourism. During the last week of March 2020G, the Saudi government imposed a curfew to control the spread of COVID-19, which caused revenues to fall to zero in April and May 2020G.

Profits started to improve in June 2020G after the curfew was lifted, but revenues from outdoor advertising in the second half of 2020G remained 29.8% lower than during the same period in 2019G. This is due to the decreased spending of some clients during this period due to the impact of the COVID-19 pandemic on the Saudi market.

Cost of revenue increased by 0.5%, from SAR 449.0 million in 2018G to SAR 451.1 million in 2019G, due to the rising cost of rent for billboard sites.

Cost of revenue decreased by 11.6%, from SAR 451.1 million in 2019G to SAR 398.6 million in 2020G, due to: (1) reduced right-of-use depreciation due to grace periods granted by the municipalities and discounts granted to compensate for lockdown periods or the elimination of some sites; (2) reduced staff expenses arising from reduced costs associated with overtime, staff transportation expenses, and ticket costs, as well as end-of-service benefits for the period; and (3) reduced cost of raw materials used in printing due to reduced revenues from fixed billboards in particular as a result of the Company's continuous shift to digital billboards instead of fixed ones.

Selling & marketing expenses include selling and distribution commissions, salaries, wages and other benefits, right-of-use depreciation, and other expenses. Selling & marketing expenses rose by 108.3%, in the amount of SAR 22.1 million in 2019G, primarily due to the increase in selling and distribution commissions in line with rising revenues and rising salaries and wages. During fiscal year 2020G, selling & marketing expenses decreased by 73.9%, or SAR 31.4 million, primarily due to: (1) reduced selling & distribution commissions due to reduced revenues and the Company's decision to stop paying commissions as a result of the COVID-19 pandemic, which impacted client spending rates; (2) reduced fees for advertisements for an event that took place in Riyadh and other miscellaneous expenses; (3) cost savings of SAR 0.4 million as a result of the SANED Program; and (4) reduced expenses for salaries, wages and other benefits, primarily due to the resignation of the vice-president of sales in December 2019G.

General and administrative expenses consist of salaries, wages and other benefits, rental expenses, right-of-use depreciation, donations, professional fees, depreciation and other expenses. General expenses rose by 29.2%, in the amount of SAR 6.7 million during 2019G, due to the provision for doubtful debts that was charged to the year. The increase in general and administrative expenses in 2020G is primarily due to: (1) an increase in the provision for doubtful debts of SAR 4.5 million; (2) an increase of SAR 3.3 million for salaries and other benefits due to the addition of the salaries of the subsidiary's staff located in the UAE and the appointment of a Financial Manager and a Chief Strategy Officer (CSO) in 2020G.

Finance expenses include the benefit rates applicable to short-term loans, finance expenses resulting from calculating staff benefit liabilities, and finance expenses resulting from lease liabilities. Finance expenses rose by SAR 26.9 million in 2019G. Such rise was primarily associated with interest expenses for lease liabilities that emerged after the application of IFRS 16. Finance expenses dropped in 2020G due to the decrease in interest costs related to lease liabilities. The discount rate dropped from 3.6% in 2019G to 2.5% in 2020G. The decrease in interest costs on lease liabilities was offset by the increase in interest expenses on short-term loans due to the increased use of letters of credit and letters of guarantee by the Company during 2020G, as compared to the same period in 2019G.

Other revenue includes profit/loss from the sale of property and equipment and other revenues. Other revenue rose by 102.3%, in the amount of SAR 614 thousand in 2019G. This was followed by a decrease of 73.1%, in the amount of SAR 886 thousand, in 2020G, due to the change in the size of billboards sold and the sale prices compared to their net book value.

Zakat dropped by 4.6%, in the amount of SAR 418 thousand, from SAR 9.2 million in 2018G to SAR 8.7 million in 2019G due to the decrease of the Company's capital in 2018G. Further, Zakat dropped by 39.4%, in the amount of SAR 3.4 million, in 2020G due to the decrease in net profit during FY 2020G.

6-7-1-1 Revenue

Table (6-5): Revenue by Activity and Product Nature for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G*

Fiscal Year Ended 31 December						
SAR'000	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Outdoor advertising revenue	565,855	718,236	456,303	26.9%	(36.5%)	(10.2%)
Printing revenue	73,302	69,262	41,282	(5.5%)	(40.4%)	(25.0%)
Total revenue	**639,157**	**787,498**	**497,585**	**23,2%**	**(36.8%)**	**(11.8%)**

Source: Company information

* The difference between the above table and the financial statements is due to the separation of printing revenue related to advertising campaigns from the value of the advertising campaigns themselves.

The Company's revenues are divided into two main activities, namely outdoor advertising and printing. Revenue from outdoor advertising accounted for 91.7% of total revenues in FY 2020G.

The Company presents the revenues after: (1) client discounts; (2) included discounts; and (3) free extensions.

1) Client discounts are provided to agencies if they meet the agreed sales target.

The discount rate provided to clients and the target sales vary from one agency to another based on the associated brands and their advertising plan for the year. Client discounts can also be affected by the amounts collected from clients (for example, the discount rate can be reduced if the client does not pay on time), and an increase in the number of agencies that meet their sale targets on an annual basis, consequently, increasing discounts in terms of volume as a percentage of the advertising revenues during the historical period. The Company records a provision for discounts which can reach 15% monthly, however, the actual discount rate at the end of the year usually amounts to an average of 8%.

Client discounts accounted for 6.3%, 6.9%, and 10.9% of the total revenues from outdoor advertising in the years ended 2018G, 2019G, and 2020G respectively.

2) Included discounts are granted to direct clients (from the private and public sectors) during the low-season months.
3) The Company provides some clients with free extensions for some campaigns during the low-season months, in order to maintain a full billboard occupancy rate across the Kingdom of Saudi Arabia. Such extensions are not for a long period, and they are granted after a series of internal approvals.

In 2019G, the Company saw an increase of 23.2% as a result of increased spending on outdoor advertising by clients and the Company's success in providing a new advertising product class, namely the "Mezah billboard" which features digital technology that allows for the use of multiple advertising faces on the same advertising billboard, which increased demand for this class.

The Company's revenues dropped from SAR 787.5 million in FY 2019G to SAR 497.6 million in FY 2020G, due to several reasons, most importantly the COVID-19 pandemic and decreased client spending on outdoor advertising in 2020G.

Outdoor Advertising Revenue

Table (6-6): Outdoor Advertising Revenue for the Fiscal Year Ended 31 December 2018G, and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G.

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Mega (backlit)	266,169	310,836	163,006	16.8%	(47.6%)	(21.7%)
Mega Mezah Digital Billboard	53,767	184,335	169,335	242.8%	(8.1%)	77.5%
Mupi Billboard (backlit)	100,044	98,958	55,436	(1.1%)	(44.0%)	(25.6%)
Digital LED	54,119	52,393	26,011	(3.2%)	(50.4%)	(30.7%)
Bridges	5,957	7,278	12,539	22.2%	72.3%	45.1%
Super Mega Tower (backlit)	11,366	8,132	3,641	(28.5%)	(55.2%)	(43.4%)
Pisa Billboard	56,139	24,874	3,639	(55.7%)	(85.4%)	(74.5%)
Portrait Billboard	10,042	8,599	3,305	(14.4%)	(61.6%)	(42.6%)
Green Mupi	3,915	3,318	-	(15.3%)	(100.0%)	(100.0%)
Super Structures	4,337	3,111	-	(28.3%)	(100.0%)	(100.0%)
Dynamic Mupi Billboard	-	1,582	391	-	(75.3%)	N/A
Super Mega Tower (digital)	-	352	7,175	-	1938.3%	N/A
Other services	-	4,334	-	-	(100.0%)	N/A
Total road advertising revenues	**565,855**	**708,103**	**444,478**	**25.1%**	**(37.2%)**	**(11.4%)**
Indoor advertising revenues	-	10,133	11,825	-	16.7%	N/A
Outdoor Advertising Revenues	**565,855**	**718,236**	**456,303**	**26.9%**	**(36.5%)**	**(10.2%)**

Source: Company information

Outdoor advertising revenue mainly includes road advertising during the historical period. Note that the Company began expanding its indoor advertising in the April of FY 2019G.

Road advertising revenues accounted for 88.5%, 89.9% and 89.3% of the Company's total revenues during the fiscal years 2018G, 2019G and 2020G, respectively. Indoor advertising accounted for 1.4% and 2.6% of the Company's total revenues in FY 2019G and 2020G.

Revenues from Mega, Mezah and Mupi billboards collectively accounted for an average of 80.6% of total road advertising revenues during the historical period. These billboards are the primary contributor to road advertising revenues.

In FY 2018G, the occupancy rate of Mega and Mupi billboards in most regions of the Kingdom of Saudi Arabia was affected due to the decrease in public spending on road advertisements by a number of private companies.

- **Mega (Backlit)**

Revenues from Mega billboards (backlit) in 2019G increased by 16.8%, from SAR 266.2 million in FY 2018G to SAR 310.8 million in 2019G, due to an increase in revenues from Riyadh and Jeddah by SAR 26.1 million. This increase is due to an increase in events arranged by the General Entertainment Authority that required advertising campaigns in these areas, in addition to a new contract for Mega (backlit) in Mecca.

In 2020G, Mega (backlit) revenue dropped by 47.6%, from SAR 310.8 million in 2019G to SAR 163.0 million in 2020G due to the lockdown and curfew imposed by the Saudi government in April and May, and the subsequent decrease in client spending for the post-curfew period from June 2020G until December 2020G, compared to the same period in 2019G.

- **Mega Mezah Digital Billboards**

This product was launched in Riyadh and Jeddah in March 2018G. Revenue from Mezah billboards in FY 2019G increased by 242.8% or SAR 131.6 million, from SAR 53.8 million in FY 2018G to SAR 184.3 million in FY 2019G due to: (1) the launch of Mega Mezah digital billboards in Dammam, and (2) an increase in billboards in Riyadh and Jeddah and a higher actual occupancy rate.

Mezah billboard revenue dropped by 8.1%, reaching SAR 169.3 million in 2020G. The impact of the reduced revenue from Mezah billboards was relatively less than other billboards, mainly due to the increased number of billboards, from 125 in 2019G to 166 in 2020G, and rising client demand due to the modern design of such billboards.

- **Mupi (Backlit) Billboards**

Revenues from Mupi billboards (backlit) in FY 2019G decreased by 1.1%, from SAR 100.0 million in FY 2018G to SAR 99.0 million in 2019G due to a decrease in revenues from Mupi billboards (backlit) in Riyadh, Jeddah and Dammam as a result of: (1) lower client demand due to the gradual market trend towards digital LEDs, and (2) removal of billboards mainly in Riyadh due to the fact that Mupi (backlit) billboards are usually located on sidewalks by traffic lights and consequently are significantly affected by road development works.

Mupi (backlit) revenue dropped from SAR 99.0 million in 2019G to SAR 55.4 million in 2020G due to the lockdown and curfew imposed by the government and reduced client spending post-curfew.

- **Digital LED Billboards**

Digital LED revenue dropped by 3.2%, or SAR 1.7 million, in 2019G due to the reduced demand for this type of billboard. Likewise, revenue from Digital LED billboards dropped by 50.4%, or SAR 26.4 million, in 2020G as a result of the COVID-19 pandemic and the concomitant curfew measures.

- **Pisa Billboard**

Pisa billboard revenue dropped by 55.7%, or SAR 31.3 million, in FY 2019G, and by 85.4%, or SAR 21.2 million, in 2020G, since Pisa is a losing product due to low demand. Therefore, Management decided to replace all Pisa billboards with Mezah billboards in Riyadh and Dammam, and 50% of them in Jeddah, while none were replaced in Madinah.

- **Portrait Billboard**

Portrait revenues dropped by 14.4% in 2019G because the billboard sites in Tahlia Street, Riyadh were impacted by the construction of the Metro, which caused the closure of the intersection of Tahlia Street and Al Olaya Street. Portrait billboard revenue dropped by 61.6%, or SAR 5.3 million, in 2020G for the same reasons that caused decreased revenue in 2019G, in addition to the impact of the COVID-19 pandemic.

- **Super Mega Tower (backlit)**

Super Mega Tower (backlit) revenue dropped by 28.4%, or SAR 3.2 million, in 2019G, due to the removal of billboards in Jeddah in order to start operating them using digital billboard technology. Super Mega Tower (backlit) revenue also dropped by 55.2%, or SAR 4.5 million, in 2020G due to conversion of these billboards to digital billboards in 2020G. Management converted around 50% of the billboards to digital billboards.

- **Bridges**

Bridge billboard revenue rose by 22.2%, or SAR 1.3 million, in FY 2019G due to the digitalisation of the Walking Bridge in Riyadh. Bridge billboard revenue rose by 73.3%, or SAR 5.3 million, in 2020G, primarily due to a one-year contract signed by the Company with a telecommunication company for SAR 12.0 million, which increased product revenue during 2020G.

- **Green Mupi Billboards**

Revenue from Green Mupi billboards decreased by 15.3% or SAR 0.6 million in 2019G due to the expiration and non-renewal of the contract with the municipality in 2019G.

- **Super Structures**

Revenue from Super Structures decreased by 28.3%, or SAR 1.2 million, in 2019G due to the expiration and non-renewal of the contract with the municipality in 2019G.

- **Dynamic Mupi Billboard and Super Mega Tower (digital)**

The Company started operating Dynamic Mupi and Super Mega Tower (digital) billboards in 2019G. Total revenues realised from the operation date until 2019G and 2020G are SAR 2.0 million and SAR 7.5 million, respectively. Dynamic Mupi billboard revenue dropped from SAR 1.6 million in 2019G to SAR 0.4 million in 2020G due to the impact of the COVID-19 pandemic. Super Mega Tower (digital) billboard revenue increased from SAR 0.4 million in 2019G to SAR 7.2 million in 2020G, given that 2019G revenue covered one month of the year compared to 12 months in 2020G.

- **Other services**

Other services consist of revenue from the General Entertainment Authority (GEA) for advertisements for an entertainment event (MDL Beast) in Bahrain, UAE and Kuwait that generated revenue of SAR 4.3 million in 2020G.

- **Indoor advertising revenues**

Al Arabia expanded into indoor advertising in April of FY 2019G. The Company started recording revenues from indoor advertising in Riyadh from FY 2019G. It also signed seven indoor advertising contracts with Riyadh Park, Riyadh Front, The Zone, and Diplomatic Quarter General Authority.

At the end of 2019G, the Company introduced five types of indoor products (Digital Mupi screens, bulkhead screens, digital screens, front screens, and promotion spaces). Indoor advertising started in Riyadh with one product only (the promotion space) and expanded in 2020G to include Madinah and Tabuk. Revenue from indoor advertising services accounted for 2.6% of total advertising revenues.

Indoor advertising revenue rose in 2019G from SAR 10.1 million to SAR 11.8 million in 2020G, by 16.7%.

Outdoor advertising revenue by geographical area

Table (6-7): Outdoor Advertising Revenue by Geographical Area for the Fiscal Year Ended December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

	Fiscal Year Ended 31 December					
SAR'000	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Riyadh	284,068	361,157	236,144	27.1%	(34.6%)	(8.8%)
Jeddah	181,404	215,966	131,735	19.1%	(39.0%)	(14.8%)
Dammam and Khobar	51,795	56,975	36,354	10.0%	(36.2%)	(16.2%)
Total from major regions	**517,267**	**634,098**	**404,233**	**22.6%**	**(36.3%)**	**(11.6%)**

SAR'000	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Southern Province	10,979	18,163	11,187	65.4%	(38.4%)	0.9%
Qassim	10,266	12,751	7,351	24.2%	(42.3%)	(15.4%)
Mecca	10,587	12,489	6,964	18.0%	(44.2%)	(18.9%)
Eastern Province (except Dammam and Khobar)	6,955	11,338	7,126	63.0%	(37.1%)	1.2%
Madinah	7,180	10,742	5,320	49.6%	(50.5%)	(13.9%)
Northern Province	2,622	4,187	2,297	59.7%	(45.1%)	(6.4%)
Other services	-	4,334	-	-	(100.0%)	0.0%
Total from other regions	**48,589**	**74,005**	**40,245**	**52.3%**	**(45.6%)**	**(9.0%)**
Internal revenues	-	10,133	11,825	-	16.7%	-
Total revenue from advertising services	**565,856**	**718,235**	**456,303**	**26.9%**	**(36.5%)**	**(10.2%)**

Fiscal Year Ended 31 December

Source: Company information

Pricing cards differ by region, and thus pricing of each product class varies from one region to another.

Outdoor advertising revenues from Riyadh, Jeddah, and Dammam accounted for 89.4% of advertising proceeds throughout the historical period. The sales strategy of the Company's Management concentrates on the highly populated regions.

In each region, the municipality starts a tender every five years, where it determines the product class, billboard sites, and number of billboards offered. To ensure that the Company obtains important tenders for billboard sites in the main regions, the Company submits bids at higher prices (which are subject to fluctuations in the economic cycle). However, in low-demand regions, the Company submits bids with average competitive prices.

During 2018G, the drop in the actual occupancy rate of Mupi and Megacom across all regions in general was impacted by the drop in spending on outdoor advertising by a vehicle sales agency (SAR 20 million), Jarir Bookstore (SAR 14 million), a telecommunication company (SAR 16 million), and a fast food restaurant (SAR 5 million).

Dammam and the southern regions represent high-competition areas. In 2019G, revenue in the Southern Province rose due to the increased demand by the GEA for Abha Season, which was held in March 2019G. Revenue rose in Qassim primarily due to the Qassim Rally, which was organised by the General Sport Authority.

There is strong competition in Dammam and the southern areas as illustrated in the following information:

- Saudi Signs Media provides indoor and outdoor advertising billboards. Most outdoor billboards are fixed (paper billboards). For indoor billboards, the Company uses Mupi and digital billboards.
- JCDecaux: A major media owner within the airport sector across the Kingdom. JCDecaux owns digital advertising billboards, LED billboards, and fixed billboards in domestic and international airports across the Kingdom.
- Attention Advertising and Media Agency primarily provides Megacom, Mupi, and Super Mega in the Eastern Province, Qassim, Tabuk, and the Southern Province. This agency exited the Dammam market at the end of 2018G.

In FY 2019G, revenue from the Southern Province rose by SAR 7.2 million due to rising demand from the GEA in relation to Abha Season, which was held in March 2019G. Further, revenues from the Qassim region rose by SAR 2.5 million, due to the launch of the Qassim Rally, which was organised by the General Sport Authority.

Outdoor advertising revenue from the Eastern Province rose by SAR 5.2 million in FY 2019G, as a competitor exited from the Eastern Province.

Revenue from other services during 2019G represent the advertising campaigns run by the GEA (MDL Beast) in Bahrain, the UAE, and Kuwait.

Revenue in Dammam rose in 2019G after a competitor (Attention Advertising and Media Agency) exited the Dammam market in 2020G.

Revenue in most regions was adversely affected due to the curfew and lockdown measures imposed by the Saudi government to control the spread of COVID-19 in April and May 2020G. This was accompanied by a decrease in spending by brands and clients, resulting in reduced revenue from the largest regions in the Kingdom (Riyadh, Jeddah, Dammam, and Khobar) by 36.3% in 2020G, compared to 2019G.

- **Indoor advertising revenues**

Al Arabia expanded into indoor advertising in April of FY 2019G. The Company started recording revenue from indoor advertising in Riyadh only in FY 2019G. It also signed seven indoor advertising contracts with Riyadh Park, Riyadh Front, The Zone, and Diplomatic Quarter General Authority.

At the end of 2019G, the Company introduced five types of indoor products (Digital Mupi screens, bulkhead screens, digital screens, front screens, and promotion spaces). Indoor advertising in Riyadh started with one product only (the promotion space), and it expanded in 2020G to include Madinah and Tabuk. Revenue from indoor advertising services accounted for 2.6% of total advertising revenues.

Printing revenues

Table (6-8): Printing Revenue for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Year Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Digital printing	45,232	46,006	22,489	1.7%	(51.1%)	(29.5%)
Silk-screen printing	9,319	8,167	4,944	(12.4%)	(39.5%)	(27.2%)
Total advertising printing	**54,551**	**54,173**	**27,433**	**(0.7%)**	**(49.4%)**	**(29.1%)**
Digital printing	17,035	12,534	9,145	(26.4%)	(27.0%)	(26.7%)
Silk-screen printing	388	562	505	44.8%	(10.1%)	14.1%
Offset	1,328	1,993	4,199	50.1%	110.7%	77.8%
Total printing for third parties	**18,751**	**15,089**	**13,849**	**(19.5%)**	**(8.2%)**	**(14.1%)**
Total printing revenues	**73,302**	**69,262**	**41,282**	**(5.5%)**	**(40.4%)**	**(25.0%)**

Source: Company information

Printing activity revenue relates to revenue from advertising printing and printing for third parties. Advertising printing represents printing associated with advertising campaigns provided to clients by Al Arabia. Printing for third parties represents printing services provided to third parties.

Printing revenues accounted for 11.5%, 8.8% and 3.8% of the Company's total revenues during the fiscal years 2018G, 2019G and 2020G, respectively.

The Company uses three types of printing, namely: digital printing, silk-screen printing and offset printing. Digital printing is used in most categories of billboards, such as mega, pisa, bridge (before the introduction of digital LED billboards in 2019G), portrait and super structures. The Company uses silk-screen printing for Mupi products. Offset printing is provided by the Company to third parties only. It is used for printing business cards, notebooks and other stationery items.

Digital printing accounted for an average of 82.0% of total printing revenues during the historical period. Silk-screen printing accounted for an average of 13.0% and offset printing accounted for an average of 5.0% of the total printing revenues for the same period.

- **Advertising printing**
  - Revenue from advertising printing accounted for an average of 73.0% of total printing revenues during the historical period.
  - Revenue from digital printing was mainly affected by sales in the Mega category in 2019G. Digital printing revenue dropped as a result of reduced Megacom class sales in 2020G, in addition to the impact of the shift to digital LED billboards. Further, the Management introduced digital advertising billboards.

- The continued decline in revenue from silk-screen printing in historical years was partly due to the decline in sales of the Mupi category.

- **Printing for third parties (third parties)**
  - Revenue from printing for third parties accounted for an average of 27.0% of total printing revenue during the historical period.
  - During 2018G, the Company entered into a one-time contract with the Ministry of Finance for SAR 9.0 million for the procurement of digital printing materials. Revenues from digital printing rose in 2019G compared to 2018G as a result of hiring new sales representatives to the printing sales team.
  - Revenues from digital printing for third parties dropped in 2020G as a result of the general trend in the market to shift to digital content, and the COVID-19 pandemic that impacted consumer demand.
  - Silk-screen printing revenue increased by 44.8%, or SAR 174 thousand, in FY 2019G, due to higher client demand that year. The decrease in 2020G did not constitute a material change.
  - Offset sales increased by 50.0%, or SAR 665 thousand, in FY 2019G, mainly due to the increase in the production capacity of Al Arabia as the Company purchased new printing machines. Moreover, offset printing revenue rose in 2020G by SAR 2.2 million as a result of the exit of a top competitor from the market, which increased Rawiyya's share in the offset printing market.

Outdoor advertising and printing revenue from top 10 clients

Table (6-9): Outdoor Advertising Revenue from Top 10 clients for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Orbit Advertising	51,419	88,729	68,070	72.6%	(23.3%)	15.1%
Universal Media	36,399	112,585	53,371	209.3%	(52.6%)	21.1%
Mindshare	34,398	20,508	40,612	(40.4%)	98.0%	8.7%
Target & Starcom	58,724	42,692	31,521	(27.3%)	(26.2%)	(26.7%)
Riyad Bank	7,300	22,000	27,425	201.4%	24.7%	93.8%
Dorrat Al-Fikra Advertising Agency	1,043	552	17,845	(47.1%)	3132.8%	313.6%
IMDN Advertising LTD	5,530	6,787	14,966	22.7%	120.5%	64.5%
Basera Advertising Co.	11,150	14,364	12,890	28.8%	(10.3%)	7.5%
Veyron Marketing Co.	4,292	15,563	11,789	262.6%	(24.2%)	65.7%
Jarir Bookstore	19,610	17,198	11,486	(12.3%)	(33.2%)	(23.5%)
Other	390,541	416,964	181,937	6.8%	(56.4%)	(31.7%)
Total outdoor advertising revenue	**620,406**	**757,942**	**471,912**	**22.2%**	**(37.7%)**	**(12.8%)**
Revenue from printing for third parties	18,751	15,089	13,849	(19.5%)	(8.2%)	(14.1%)
Indoor advertising revenue	-	10,133	11,825	-	16.7%	100.0%
Other services	-	4,334	-	-	(100.0%)	0.0%
Total revenues	**639,157**	**787,498**	**497,585**	**23.2%**	**(36.8%)**	**(11.8%)**

Source: Company information

The top 10 clients (all of whom buy advertising spaces, except Riyad Bank and Jarir Bookstore) accounted for 61.4% of outdoor advertising revenues for FY 2020G.

Orbit Advertising revenues rose by 72.6%, in the amount of SAR 37.3 million, in 2019G, mainly driven by the additional campaigns of a telecommunication company and a ministry. During 2020G, Orbit Advertising revenues dropped by 23.3%, or the equivalent of SAR 20.7 million, mainly due to reduced spending by the vehicle and fashion brands within the Orbit Advertising portfolio as a result of the COVID-19 pandemic.

Universal Media's revenues rose from SAR 36.4 million in 2018G to SAR 112.6 million as a result of new campaigns for a public company and a telecommunication company. During 2020G, the revenues dropped by 52.6%, or the equivalent of SAR 59.6 million, mainly due to reduced spending by a telecommunication company (Saudi Telecom Company) and a fast food restaurant (McDonald's) mainly due to the outbreak of COVID-19 and reduced spending by a public company due to the decrease of advertising campaigns during 2020G.

Revenues from Mindshare dropped by 40.4%, in the amount of SAR 13.9 million, in FY 2019G, driven by a telecommunication company moving to another advertising agency. Revenues rose in 2020G by 98.0%, equivalent to SAR 20.1 million, mainly due to dealing with a telecommunication company that spent SAR 19.6 million on outdoor advertising during 2020G.

Revenue from Target & Starcom dropped by 26.2%, from SAR 58.7 million in 2018G to SAR 42.7% million in 2019G, because Riyad Bank became a direct client of the Company in July 2019G after advertising its services and products through the agency, which also led to decreased revenues from the Agency. Revenue dropped in 2020G mainly due to reduced spending by banking brands and furniture brands in the aftermath of the COVID-19 pandemic. This decrease was offset by a small increase in spending by an e-commerce company and a car dealership company.

The increase in revenues in 2020G is mainly due to increased spending on outdoor advertising in the banking sector.

Dorrat Al-Fikra Advertising Agency revenues rose by 3,132.8%, from SAR 552 thousand in 2019G to SAR 17.8 million in 2020G, as a result of increased spending by mobile application delivery companies.

IMDN LTD revenues rose by 22.7%, from SAR 5.5 million in 2018G to SAR 6.9 million in 2019G, as a result of increased spending by a fast food restaurant. IMDN LTD revenues rose by 120.5%, from SAR 6.9 million in 2019G to SAR 15.0 million in 2020G, as a result of increased spending by a Saudi ministry and an electricity company.

Basera Advertising Co. revenues rose by 28.8%, from SAR 11.2 million in 2018G to SAR 14.4 million in 2019G, as a result of increased spending by a shopping mall and a company operating in appliance retail and wholesale trade. Revenue dropped in 2020G by 10.3% to hit SAR 12.9 million due to reduced spending by a shopping mall and a company operating in appliance retail and wholesale trade, as well as a company operating in the agricultural, dairy product, food processing, and industrial sector.

Vyron Company mainly works with the government sector, and the increase and decrease of revenues from this agency is mainly related to the increase and decrease of the government agencies it deals with.

Jarir Bookstore deals with the Company directly. Revenues dropped by 12.3%, from SAR 19.6 million in 2018G to SAR 17.2 million in 2019G, and then by 33.2% to SAR 11.5 million. There was no material reason for the change in 2019G, while the COVID-19 pandemic was the main cause of the reduced spending in 2020G.

Outdoor advertising revenue by client class

Table (6-10): Outdoor Advertising Revenue by Client Class for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December 2018G	2019G	2020G	Increase/(decrease) 2018G–2019G	2019G–2020G
	Audited				
Advertising agencies	402,138	534,816	334,410	33.0%	(37.5%)
Direct clients - private sector	201,812	182,659	110,599	(9.5%)	(39.5%)
Direct clients - public sector	16,456	40,467	26,903	145.9%	(33.5%)
Revenue	620,406	757,942	471,912	22.2%	37.7%

Source: Company information

- **Outdoor advertising revenue from advertising agencies**

Revenue from advertising agencies also rose by 33.0%, from SAR 402.1 million in FY 2018G to SAR 534.8 million in FY 2019G due to the increase of advertising campaigns through the advertising agencies: Universal Media, Orbit Advertising, Marwan Advertising Agency, and Al-Khomasiya Marketing Services Co.

Revenues from the agencies were affected by the COVID-19 pandemic, resulting in 37.5% lower revenues from the agencies, from SAR 534.8 million in 2019G to SAR 334.4 million in 2020G.

- **Outdoor advertising revenue from direct clients - private sector**

Revenue from the private sector dropped by 9.5%, from SAR 201.8 million in 2018G to SAR 182.7 million in FY 2019G, due to the decreased advertising campaigns by some clients, such as Jarir Bookstore and Almarai Co.

Revenue from direct private sector clients was affected by the COVID-19 pandemic, which lowered revenues by 39.5%, from SAR 182.7 million in 2019G to SAR 110.6 million in 2020G.

- **Outdoor advertising revenue from direct clients (public sector).**

Revenue from the public sector rose by 145.9%, from SAR 16.5 million in 2018G to SAR 40.5 million in FY 2019G, because the Company acquired new public clients such as the G20 and Latma Company (an GEA company) for the Riyadh Season and Jeddah Season. There were fewer events in 2020G, which lowered direct government spending in 2020G, representing a decrease in revenues by 37.4%.

Revenues from subsidiaries

There are no revenues from subsidiaries as the company is a representative office carrying out marketing activities for advertising spaces within the United Arab Emirates.

Quantity discount

According to the CEO's decision regulating sales policies, the Company only grants its clients (advertising space buyers, agencies) a VR (quantity discount) based on the amount of spending from each client and the terms of payment. The Company also gives (all) its clients discounts or extends campaigns for additional periods during slowdown periods (summer vacation, holidays).

Table (6-11): Revenue Inside and Outside the Kingdom of Saudi Arabia for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December					
SAR'000	2018G	2019G	2020G	Increase/(decrease)	
	Audited			2018G–2019G	2019G–2020G
Advertisements in the Kingdom of Saudi Arabia	639,157	783,553	497,585	22.6%	(36.5%)
Advertisements outside the Kingdom of Saudi Arabia	-	3,945	-	100.0%	(100.0%)
Total revenues	**639,157**	**787,498**	**497,585**	**23.2%**	**(36.8%)**

Source: Audited financial statements

6-7-1-2 Cost of Revenue

Table (6-12): Cost of Revenue for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December				
	2018G	2019G	2020G	Increase / (decrease)	
	Audited			2018G–2019G	2019G–2020G
Right-of-use depreciation	-	371,972	338,949	100.0%	(8.9%)
Raw material costs and other costs	34,506	28,319	23,740	(17.9%)	(16.2%)
Depreciation	22,420	23,603	24,658	5.3%	4.5%
Salaries, wages and other benefits	11,976	12,410	11,189	3.6%	(9.8%)
Inventory depreciation	-	554	-	100.0%	(100.0%)
Billboard site rent	380,121	-	-	(100.0%)	-
Other	-	14,216	5	100.0%	(100.0%)
Total cost of revenue	**449,023**	**451,075**	**398,540**	**0.5%**	**(11.6%)**

Source: Audited financial statements

Table (6-13): Cost of Revenue Related to Outdoor Advertising for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Billboard site rent	380,121	-	-	(100.0%)	-	(100.0%)
Right-of-use depreciation	-	371,972	338,949	0.0%	(8.9%)	0.0%
Staff expenses	7,194	7,684	6,965	6.8%	(9.4%)	(1.6%)
Depreciation expenses	18,810	20,172	21,035	7.2%	4.3%	5.7%
Other	12,172	10,909	9,409	(10.4%)	(13.8%)	(12.1%)
IFRS 16-related adjustments	-	14,216	5	-	(100.0%)	-
Total cost of outdoor advertising revenue	**418,297**	**424,953**	**376,362**	**1.6%**	**(11.4%)**	**(5.1%)**
As a % of revenues		**%**				
Billboard site rent	59.5%	-	-	-	-	-
Right-of-use depreciation	-	49.0%	68.1%	-	39.0%	-
Staff expenses	1.1%	1.0%	1.4%	(9.1%)	40.0%	12.8%
Depreciation expenses	2.9%	2.6%	4.2%	(10.3%)	61.5%	20.3%
Other	1.9%	1.4%	1.9%	(26.3%)	35.7%	0.0%
Total cost of outdoor advertising revenue	**65.4%**	**54.0%**	**75.6%**	**(17.4%)**	**40.0%**	**7.5%**

Source: Company information

- **Cost of Leasing Billboard Sites**

The Company leases sites for billboards from municipalities through tenders offered by those municipalities. Lease agreement terms are usually five years, and the cost of rentals varies by region.

Billboard site leases represent 90.9% of the total cost of revenue for outdoor advertising in FY 2018G. Billboard site leases represent 84.7% of the cost of revenue in FY 2018G. The increase in the lease cost is due to several factors, namely: (1) leasing new sites for Mezah billboards, and (2) renewing leases for Mega sites in Riyadh at a higher price. The application of IFRS 16 in FY 2019G resulted in the reclassification of this item to the right-of-use depreciation in the same year.

- **Right-of-use Depreciation**

Upon application of IFRS 16 in FY 2019G, leases were reclassified to the right-of-use depreciation account. The depreciation included the amount of SAR 372.0 million from the reclassification of the billboard site lease item to the right-of-use depreciation item. The reclassified amounts included all expenses related to outdoor roadside billboard site leases and indoor advertising site leases that began in 2019G, as well as maintenance centre leases.

Right-of-use depreciation dropped as a result of contracts that were not renewed in 2020G, and due to the cancellation of contracts related to green Mupi billboards in Riyadh and Mupi billboards in Madinah, in addition to the decrease of 500 billboards in two agreements in Riyadh, grace periods granted by the municipalities and discounts granted of SAR 2.6 million to compensate for the lockdown periods resulting from the COVID-19 pandemic.

- **Staff expenses**

This item represents wages and direct labour benefits. Staff expenses rose in 2019G by 6.8% due to the annual salary increase.

This item saw a decrease in 2020G due to the SANED Program, where the Saudi government incurred a portion of the salaries of Saudi staff, resulting in savings of SAR 207 thousand in 2020G. This is in addition to the decrease in costs related to staff transportation and end-of-service benefit expenses for the period due to the decrease in the average number of employees in the maintenance section from 180 in 2019G to 178 in 2020G, and the decrease of the average employee cost within the maintenance section from SAR 40 thousand in 2019G to SAR 38 thousand in 2020G, as well as overtime costs and the costs of additional workers required for the Company's operations as a result of the decreased sales and operation level due to the outbreak of the COVID-10 pandemic.

- **Depreciation Expenses**

This item includes billboard depreciation. Depreciation expenses increased by 7.2% in 2019G due to net operations resulting from additions to fixed assets of 31 internal electronic (LED) screens, one electronic (LED) screen for a walking bridge in Riyadh, and 46 Mezah Billboards. Disposals, which included 2,539 billboards, contributed to a reduced rate of increase. In 2020G, projects under implementation were transferred to fixed and dynamic billboards at SAR 41.9 million. This represents 450 billboards and led to increased depreciation expenses.

- **Other**

Other operating expenses mainly consist of: (1) billboard maintenance costs (including the cost related to billboard removal, and maintenance costs related to spare part replacement); (2) rents for maintenance points in several regions across the Kingdom of Saudi Arabia (in 2018G), and (3) shipping expenses and billboard electricity costs.

Other operating expenses decreased by 10.4% or SAR 1.3 million in 2019G, mainly due to: (1) a decrease in billboard maintenance by SAR 754 thousand, as the number of billboards requiring removal or maintenance decreased, and (2) a decrease in shipping costs by SAR 427 thousand due to the high demand for electronic (LED) screens that do not require printed posters.

In 2020G, other costs dropped, mainly due to decreased costs related to billboard maintenance, fuel, and raw materials, which were offset by an increase in the costs related to electricity, telephone, and miscellaneous expenses.

- **IFRS 16-related adjustments**

After IFRS 16 was applied in 2019G, SAR 14.2 million was recorded, resulting from discrepancies between the Hijri and Gregorian calendars of around 55 days for all existing contracts.

Table (6-14): Rental Costs by Geographical Area for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Riyadh	199,955	198,436	172,000	(0.8%)	(13.3%)	(7.3%)
Jeddah	119,575	126,813	111,400	6.1%	(12.2%)	(3.5%)
Dammam and Khobar	19,913	25,668	20,142	28.9%	(21.5%)	0.6%
Mecca	10,119	12,866	7,995	27.1%	(37.9%)	(11.1%)
Southern Province	11,020	8,512	6,153	(22.8%)	(27.7%)	(25.3%)
Eastern Province (except Dammam and Khobar)	7,596	7,778	6,279	2.4%	(19.3%)	(9.1%)
Qassim	6,588	5,827	4,928	(11.6%)	(15.4%)	(13.5%)
Madinah	4,063	5,146	2,865	26.7%	(44.3%)	(16.0%)
Northern Province	1,293	1,569	1,073	21.3%	(31.6%)	(8.9%)
Total rental costs	**380,121**	**392,616**	**332,836**	**3.3%**	**(15.2%)**	**(6.4%)**

Source: Company information

In 2019G, rental costs rose across all regions as a result of the domestic lease, which started only in Riyadh in 2019G, the increase of new billboard sites rented for Mezah, and the leasing of maintenance points.

In 2020G, rental costs dropped across all regions as a result of the delayed renewal of some contracts, and because some sites were granted grace periods and discounts by some municipalities, which lowered these costs in 2020G compared to 2019G.

Table (6-15): Rental Cost by Billboard Type for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Mega (backlit)	175,126	191,467	157,547	9.3%	(17.7%)	(5.2%)
Meza	35,712	51,932	67,722	45.4%	30.4%	37.7%
Mupi (backlit) Billboard	70,474	61,277	50,311	(13.1%)	(17.9%)	(15.5%)
Digital	23,718	29,546	32,541	24.6%	10.1%	17.1%
Pisa	54,741	36,040	10,266	(34.2%)	(71.5%)	(56.7%)
Portrait Billboard	3,395	3,712	3,663	9.3%	(1.3%)	3.9%
Super Mega Tower (backlit)	4,945	4,747	2,564	(4.0%)	(46.0%)	(28.0%)
Bridges	4,749	4,621	4,151	(2.7%)	(10.2%)	(6.5%)
Green billboard	2,062	2,062	-	0.0%	(100.0%)	(100.0%)
Super Structures	5,198	4,886	-	(6.0%)	(100.0%)	(100.0%)
Dynamic Mupi	-	2,329	1,946	-	(16.4%)	100.0%
Super Mega Tower (digital)	-	-	2,126	-	100.0%	100.0%
Total rental costs	**380,121**	**392,616**	**332,836**	**3.3%**	**(15.2%)**	**(6.4%)**

Source: Company information

Mega (backlit) rent rose by 9.3%, from SAR 175.1 million in 2018G to SAR 191.5 million in 2019G, due to the increase in the number of billboards from 1,594 in 2018G to 1,687 in 2019G. This was followed by a decrease in rent by 17.7%, or SAR 33.9 million, due to the decreased number of billboards from 1,687 to 1,496 in 2020G.

Mezah rent rose by 45.4%, from SAR 35.7 million in 2018G to SAR 51.9 million in 2019G. It also rose by 30.4%, from SAR 51.9 million in 2019G to SAR 67.7 million in 2020G, as a result of the Company's decision to convert Pisa billboards to Mezah billboards.

Mupi (backlit) billboard rent dropped by 13.1%, from SAR 70.5 million in 2018G to SAR 61.3 million in 2019G, due to the decreased number of billboards from 3,801 billboards in 2018G to 3,452 billboards in 2019G. This was followed by a decrease in rent by 17.9%, from SAR 60.3 million in 2019G to SAR 50.3 million in 2020G, due to the decreased number of leased billboards from 3,452 billboards to 2,997 billboards.

Digital billboard rent rose by 24.6%, from SAR 23.7 million in 2018G to SAR 32.5 million in 2019G, because the Company acquired a new contract in Jeddah. Digital billboard rent also rose by 10.1%, from SAR 29.5 million in 2019G to SAR 32.5 million in 2020G, because the Company acquired two new contracts in Mecca and the Southern Province.

Pisa billboard rent dropped by 34.2%, from SAR 54.7 million in 2018G to SAR 36.0 million in 2019G. Rental costs also dropped by 71.5% in 2020G, from SAR 36.0 million in 2019G to SAR 10.3 million, due to the Company's decision to convert Pisa billboards to Mezah billboards.

Portrait billboard rent rose slightly by SAR 317 thousand in 2019G because the number of billboards did not change between 2018G and 2019G. This increase was offset by a slight decrease of SAR 49 thousand in 2020G because the number of billboards decreased by two billboards in 2020G.

Super Mega Tower (backlit) billboard rent dropped by 4.1%, from SAR 4.9 million in 2018G to SAR 4.7 million in 2019G, due to the decrease in the number of billboards from 25 billboards in 2018G to 16 billboards in 2019G. This was followed by a decrease of 45.9%, from SAR 4.7 million in 2019G to SAR 2.6 million, due to the application of IFRS 16. Bridge billboard rent dropped by 2.7%, from SAR 4.7 million in 2018G to SAR 4.6 million in 2019G, because the number of billboards dropped by one billboard in 2019G. The cost dropped from SAR 4.6 million in 2019G to SAR 4.2 million in 2020G because the number of billboards dropped from two billboards in 2019G to one billboard in 2020G.

There was no change in the rent of green billboards because the number of billboards did not change between 2018G and 2019G. On the other hand, there was a slight decrease in the rent of the Super Structure billboards by SAR 314 thousand because the number of billboards dropped by one billboard in 2019G. The rental cost for green and Super Structure billboards dropped to zero in 2020G. This is because the contract expired in 2019G and it was not rebid by the Municipality.

Table (6-16): Cost of Printing Revenue for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Cost of raw materials	19,745	14,896	12,077	(24.6%)	(18.9%)	(21.8%)
Salaries, wages and other benefits	4,782	4,727	4,223	(1.2%)	(10.7%)	(6.0%)
Depreciation expenses	3,611	3,431	3,623	(5.0%)	5.6%	0.2%
Other	2,589	3,068	2,254	18.5%	(26.5%)	(6.7%)
Total cost of printing revenue	**30,726**	**26,122**	**22,177**	**(15.0%)**	**(15.1%)**	**(15.0%)**
As a % of revenues		**%**				
Cost of raw materials	3.1%	1.9%	2.4%	(38.7%)	26.3%	(12.0%)
Salaries, wages and other benefits	0.7%	0.6%	0.8%	(14.3%)	33.3%	6.9%
Depreciation expenses	0.6%	0.4%	0.7%	(33.3%)	75.0%	13.5%
Other	0.4%	0.4%	0.5%	(0.0%)	25.0%	11.8%
Total cost of printing revenue	**4.8%**	**3.3%**	**4.5%**	**(31.3%)**	**36.4%**	**(3.2%)**

Source: Company information

- **Cost of raw materials**

This item includes the direct cost of the materials used in printing, such as paper, printing plates, inks, etc. The cost of raw materials, on average, accounted for 54.5% of the Company's total cost of printing revenues in 2020G. Raw materials, on average, accounted for 2.4% of the revenue cost in 2020G.

The cost of raw materials decreased in 2019G, due to the Company's move towards electronic (LED) screens that do not require raw materials and due to decreased sales in 2020G compared to 2019G. This was offset by a rise in the cost of raw materials related to offset printing after sales rose in 2020G compared to 2019G.

- **Salaries, wages and other benefits**

This item includes direct wages for employees and workers in the printing office. Staff expenses dropped by 1.2% during 2019G compared to 2018G. This decrease is due to hiring new employees for relatively lower salaries compared to the employees who resigned in 2019G. Wages dropped during 2020G, mainly due to a decrease in the number of employees by 15 employees in 2020 compared to 2019G. Expenses related to government charges also decreased because the State provided subsidies to companies during the Coronavirus pandemic and expenses for foreign labour required for operations dropped as a result of the decreased revenues in 2020G.

- **Depreciation expenses**

This item consists of depreciation expenses relating to printing machines, buildings, automobiles, furniture and small equipment. Depreciation expenses dropped in 2019G due to the increased disposal of printing machines and engines during the year. Depreciation expenses rose in 2020G due to the additions of the KPE printing machines of the Offset printing section in 2020G.

- **Other**

Other operating expenses include expenses incurred on the industrial side (i.e., related primarily to external installation of advertising posters), maintenance of printing machines, electricity expenses for printing offices, and other operating expenses. Other operating expenses increased in FY 2019G as a result of: (1) a provision for slow-moving stock of SAR 554 thousand, which was charged during the year, and (2) an increase in building maintenance expenses by 132 thousand due to the installation of LED lights in the printing office, which consume less power.

In 2020G, other operating expenses dropped mainly due to: (1) not recording a slow-moving stock provision in 2020G (SAR 554 thousand during 2019G); and (2) the decrease of operating expenses by SAR 326 thousand, consistent with the decrease of revenues in 2020G.

6-7-1-3 Gross profit

Table (6-17): Gross Profit for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December						
SAR'000	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G– 2020G
Revenue	639,157	787,498	497,585	23.2%	(36.8%)	(11.8%)
Cost of income	(449,023)	(451,075)	(398,540)	0.5%	(11.6%)	(5.8%)
Gross profit	190,134	336,424	99,046	76.9%	(70.6%)	(27.8%)
Gross profit margin	**29.7%**	**42.7%**	**19.9%**	**43.6%**	**(53.4%)**	**(18.2%)**

Source: Audited financial statements

The gross profit margin increased to 42.7% in FY 2019G, as a result of the increase in the number of advertising campaigns carried out by government entities. This led to an increase in the occupancy rate for the most important categories of advertising products, especially Mezah and Mega products. The gross profit margin dropped to 19.9% in 2020G because revenues were affected by the lockdown and curfew in April and May 2020G to control the COVID-19 pandemic and decreased client spending on advertising between June 2020G and December 2020G compared to the same period in 2019G.

6-7-1-4 General and administrative expenses

Table (6-18): General and Administrative Expenses for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Salaries, wages and other benefits	16,297	16,318	19,619	0.1%	20.2%	9.7%
Rental expenses	1,678	-	-	(100.0%)	-	-
Donations	1,170	1,621	1,848	38.5%	14.0%	25.7%
Professional fees	435	1,063	408	144.4%	(61.6%)	(3.2%)
Depreciation	807	762	1,040	(5.6%)	36.5%	13.5%
Asset insurance	557	620	644	11.3%	3.9%	7.5%
Repair and maintenance	187	459	248	145.8%	(46.0%)	15.2%
Electricity and water	68	150	169	120.6%	12.7%	57.6%
Impairment of trade receivables	-	3,483	8,000	0.0%	129.7%	-
Right-of-use depreciation	-	2,137	1,659	0.0%	(22.4%)	-
Other	1,666	2,937	2,918	(76.3%)	(0.6%)	32.3%
Total general and administrative expenses	**22,864**	**29,550**	**36,553**	**29.2%**	**23.7%**	**26.4%**
As a % of revenues				**%**		
Salaries, wages and other benefits	2.5%	2.1%	3.9%	(18.7%)	90.3%	24.4%
Rental expenses	0.3%	-	-	(100.0%)	-	(100.0%)
Donations	0.2%	0.2%	0.4%	12.4%	80.4%	42.4%
Professional fees	0.1%	0.1%	0.1%	98.3%	(39.3%)	9.8%
Depreciation	0.1%	0.1%	0.2%	(23.4%)	116.0%	28.7%
Asset insurance	0.1%	0.1%	0.1%	(9.7%)	64.4%	21.9%
Repair and maintenance	0.0%	0.1%	0.0%	99.2%	(14.5%)	30.5%
Electricity and water	0.0%	0.0%	0.0%	79.0%	78.3%	78.7%
Impairment of trade receivables	-	0.4%	1.6%	-	263.5%	-
Right-of-use depreciation	-	0.3%	0.3%	-	22.9%	-
Other	0.3%	0.4%	0.6%	43.1%	57.2%	50.0%
Total general and administrative expenses	**3.6%**	**3.8%**	**7.3%**	**4.9%**	**95.8%**	**43.3%**

Source: Audited financial statements

- **Salaries, wages and other benefits**

Salaries and other benefits increased in FY 2019G by 0.1% compared to FY 2018G, driven by an increase in the annual salaries of most departments except for Senior Management.

Salaries and other benefits rose by 20.2%, equivalent to SAR 3.3 million, during 2020G. This rise is due to the addition of the subsidiary's employee expenses, which amounted to SAR 3.6 million in 2020G. In addition, staff benefit liability expenses rose in line with the actuary report requirements, and government charges rose, as work permit and residency costs increased in FY 2020G compared to the same period in 2019G. This was offset by savings in staff costs arising from the SANED Program as the Saudi government paid a portion of Saudi employee salaries in the amount of SAR 659 thousand and the CEO waived his salary for three months to support the business during the COVID-19 pandemic.

- **Rental Expenses**

This item mainly includes rent for the Company's premises (head office and branches).

- **Right-of-use Depreciation**

Upon application of IFRS 16 in FY 2019G, leases were reclassified to the right-of-use depreciation account. This includes all expenses related to the leases for sites of the Company and its branches.

- **Donations**

This account relates to the Company's social responsibility contribution (such as the Hajj season and Saudi National Day), which was agreed upon with the municipalities in the regions. In addition, lease agreements with the region's municipality stipulate that five weeks of each year must be devoted to municipal events. These campaigns cover 30% of the billboards across the Kingdom of Saudi Arabia. Expenses increased in FY 2019G mainly due to additional campaigns related to Kuwait National Day and Ministry of Health activities. In addition, donation expenses included employee bonuses in FY 2019G, which were SAR 90 thousand.

Donations increased 14.0% in 2020G mainly due to the increased campaigns the Company ran for the municipalities to raise social awareness of the Covid-19 pandemic.

- **Professional Fees**

Professional fees increased by 144.4%, from SAR 435 thousand in FY 2018G to SAR 1.1 million in FY 2019G, due to marketing consultancy fees of SAR 852 thousand related to a company that owns all the indoor billboards in a commercial centre in Riyadh. This agreement was later cancelled.

Professional fees decreased in 2020G due to the decrease in fees of advisors, legal experts, and auditors after a marketing consultancy agreement was cancelled in 2019G. Professional fees include the fees of the Company's chartered accountant and legal advisor.

- **Depreciation**

This account relates to the head office's furniture and equipment. Depreciation decreased by 6.0% and 5.5% in the fiscal years 2018G and 2019G, respectively, due to office equipment being fully depreciated.

Depreciation expenses increased in 2020G, mainly due to the addition of the subsidiary's depreciation expenses, which were SAR 395 thousand in 2020G.

- **Asset Insurance**

These expenses relate to billboard insurance. The increase in asset insurance expenses is due to additions to the number of billboards acquired during the historical period.

- **Repair and Maintenance**

This item includes repair and maintenance costs related to the main branch, print shop buildings, servers, and printers. The increase in repair and maintenance expenses in FY 2019G was mainly related to application fees of SAR 200 thousand for programs for a category of billboards that enable Management to monitor these billboards through mobile phones. These fees will be paid annually as at FY 2019G onwards.

In FY 2020G, repair and maintenance expenses decreased from SAR 0.5 million in 2019G to SAR 0.2 million in 2020G as a result of employees working remotely, the closure of the offices and the decreased need for maintenance due to the Covid-19 pandemic.

- **Electricity and Water**

The increase in FY 2019G was mainly related to the reclassification of printing expenses from cost of revenue to general and administrative expenses, which amounted to SAR 54 thousand. The increased electricity and water expenses in 2020G did not represent a material change.

- **Impairment of Trade Receivables**

The Company recorded a provision of SAR 3.5 million for doubtful debts in FY 2019G related to a defaulting client.

During FY 2020G, Management started applying the expected credit loss method (IFRS 9) in calculating the doubtful debts provision. As a result, a doubtful debts balance of SAR 8.0 million was recorded in FY 2020G against SAR 346.7 million total receivables.

- **Other**

Other expenses are related to telephone, freight, advertising, stationery, publications, hospitality and other expenses.

Other expenses increased by 76.3% in FY 2019G due to: (1) an increase in advertising expenses of SAR 574 thousand due to additional advertising in a local newspaper, (2) additional miscellaneous expenditures of SAR 275 thousand related to manufacturing billboard accessories installed during Ramadan and expenses related to upgrading the accounting system.

Other expenses dropped slightly in FY 2020G as a result of the decrease in advertising and phone expenses compared to 2019G. This was offset by an increase in losses from exchange differences and expenses of the subsidiary.

6-7-1-5 Selling and marketing expenses

Table (6-19): Selling and Marketing Expenses for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December						
SAR'000	2018G	2019G	2020G	Annual change percentage		CAGR
				2018G–2019G	2019G–2020G	2018G–2020G
Sale and distribution commissions	10,072	24,217	236	140.4%	(99.0%)	(84.7%)
Salaries, wages and other benefits	7,767	9,870	8,224	27.1%	(16.7%)	2.9%
Right-of-use depreciation	-	306	389	-	27.1%	-
Other	2,530	8,029	2,218	217.3%	(72.4%)	(6.4%)
Total selling and marketing expenses	**20,369**	**42,422**	**11,066**	**108.3%**	**(73.9%)**	**(26.3%)**
As a % of revenues				**%**		
Sale and distribution commissions	1.6%	3.1%	0,0%	95.1%	(98.5%)	(82.7%)
Salaries, wages and other benefits	1.2%	1.3%	1.7%	3.1%	31.9%	16.6%
Right-of-use depreciation	-	0.0%	0.1%	-	101.2%	-
Other	0.4%	1.0%	0.4%	157.6%	(56.3%)	6.1%
Total selling and marketing expenses	**3.2%**	**5.4%**	**2.2%**	**69.0%**	**(58.7%)**	**(16.5%)**

Source: Audited financial statements

- **Sale and Distribution Commissions**

The Company calculates sale and distribution commissions based on sales, and a monthly provision is calculated on the basis of 1.3% to 3.1% as an average percentage of total sales. Commissions are paid to employees in a one-time payment at the end of the year based on the evaluation of the employees' performance. This item also includes commissions granted to Al Miza Outdoor Advertising Company (a related company, located in Dubai and operating as a media broker) amounting to 10% of the revenues generated through it). Note that the cooperation contract concluded between the Company and Al Miza Outdoor Advertising Company terminated on 31 December 2019G pursuant to the Board's decision issued on 08 December 2019G. For more information, refer to Section 12.9("**Material Contracts with Related Parties**").

In 2018G, sale commission was calculated on a monthly basis at 1.0% of total revenues, and in 2019G the commission rose to 3.0%. The increase in this percentage led to increased selling and distribution commission. Management records a provision for sale commissions on a monthly basis. However, commissions are paid to employees at the end of the year based on employee performance. These expenses also include sale commissions granted to Al Miza Outdoor Advertising Company (the Related Party operating in Dubai as a media buyer). The commission amounts to 10% of the revenues generated through Al Miza Outdoor Advertising Company.

Due to the lockdown measures and decreased revenue, the Management decided to suspend sale commissions in 2020G, resulting in a decrease in these expenses to SAR 236 thousand in 2020G, compared to SAR 24.2 million in 2019G. Salaries, wages, and other benefits.

This item represents the salaries and benefits of the sales, distribution and marketing team. In 2018G, two regional sales directors resigned. These two posts were occupied in FY 2019G which led to an increase in salaries by 27.1% in 2019G.

Wages dropped in 2020G due to the SANED Program, through which the Saudi government paid a portion of Saudi employee salaries. The SANED Program contributed to lowering this sum by SAR 0.4 million. Additionally, the Deputy CEO of the Sales Department resigned in December 2019G, which contributed to lowered wages in 2020G.

- **Right-of-use Depreciation**

Upon application IFRS 16 in FY 2019G, leases were reclassified to the right-of-use depreciation account. This includes all expenses related to sales office rent in Jeddah and housing for the Deputy CEO and Regional Manager.

- **Other**

Other expenses consist of two types (miscellaneous expenses and other expenses).

Table (6-20): Other Expenses for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December						
SAR'000	2018G	2019G	2020G	Annual change percentage		CAGR
				2018G–2019G	2019G–2020G	2018G–2020G
Miscellaneous expenses	1,795	7,276	657	305.4%	(91.0%)	(39.5%)
Other expenses	735	753	1,561	2.4%	107.3%	45.7%
Total other expenses	**2,530**	**8,029**	**2,218**	**217.4%**	**(72.4%)**	**(6.4%)**

Source: The Company

Table (6-21): Miscellaneous Expenses for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December						
SAR'000	2018G	2019G	2020G	Annual change percentage		CAGR
				2018G–2019G	2019G–2020G	2018G–2020G
Digital billboard lease expenses	1,016	406	101	(60.0%)	(75.1%)	(68.5%)
Other expenses	779	6,870	556	781.9%	(91.9%)	(15.5%)
Total other expenses	**1,795**	**7,276**	**657**	**305.3%**	**(91.0%)**	**(39.5%)**

Source: Company information

- **Miscellaneous Expenses**

Miscellaneous expenses include lease expenses for advertising LED screens leased from the media owner in Dammam and other expenses. Since the Company did not obtain municipality tenders in that region for the past three years, it rented advertising LED screens from media owners to cover requests for advertising campaigns in that region. The media owner has started leasing LED screens directly to customers or media owners other than the Company. This shift has led to a continuous decrease in LED screen rental expenses over fiscal years 2018G, 2019G and 2020G.

Other expenses include (1) marketing expenses related to the Company and the management of its accounts on social media networks; the Company had an annual agreement with Smaat Electronic Marketing until FY 2018G, but the Company has not renewed the contract, and (2) expenses related to the Company's participation in several employment conferences and workshops in FY 2019G.

Other expenses increased from SAR 1.8 million in FY 2018G to SAR 7.3 million in FY 2019G, due to: (1) an increase in advertising fees to cover local campaigns in GCC countries, as these countries are outside the Company's coverage and the Company leased billboards in those areas from media owners for SAR 4.3 million; (2) the appointment of a marketing consulting firm to study indoor advertising and brand redesign, amounting to SAR 1.0 million, and (3) expenses related to printing promotional flyers and equipping advertising booths for events held by several government institutions and sectors, with a total cost of SAR 1.0 million for FY 2019G. This decrease was offset by expenses related to the rental of electronic screens in 2019G for SAR 0.6 million.

Miscellaneous expenses dropped to SAR 0.7 million in 2020G in parallel with the continued reduction in digital billboard leasing expenses by SAR 0.3 in 2020G, other expenses related to entertainment events and other events that did not take place in 2020G.

- **Other Expenses**

These expenses mainly relate to sales and distribution leases (for fiscal years prior to FY 2019G), government fees, and other selling and marketing expenses. The selling and distribution leases were mainly associated with the lease expenses for the sales offices in Jeddah. Other expenses increased by SAR 91.9% in FY 2018G due to an increase in selling and distribution leases as a result of the reclassification of the CEO and the Regional Manager's housing rental expenses.

Other expenses increased by 2.4% in FY 2019G due to the Company bearing a value-added tax of SAR 489 thousand for an invoice issued to a company in the United Arab Emirates. The Company did not add value-added tax on reservations received from Dubai (the United Arab Emirates), as the tax advisor at the time stated that it was subject to zero tax because the client is located in the UAE, based on the Implementing Regulations to be approved for GCC countries. Note that these sums were paid to GAZT and discussions are underway as at the date of this Prospectus with GAZT and the GSTC to settle the tax disputes. This increase in expenses was offset by a decrease in rental expenses following the application of IFRS 16 "Leases".

Other expenses rose in 2020G because a three-year agreement was signed with Seven Decimals Co. The agreement was signed in February 2020G, at an annual cost of SAR 1.5 million. The Company will present market studies about the vision and will determine the outdoor advertising billboard sites.

6-7-1-6 Finance expenses

Table (6-22): Finance Expenses for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Finance expenses resulting from short-term loans	4,291	7,580	6,941	76.6%	(8.4%)	27.2%
Finance expenses resulting from the calculation of employee benefit obligations	358	522	293	45.8%	(43.9%)	(9.5%)
Finance expenses resulting from lease liabilities	-	23,471	14,017	-	(40.3%)	-
Total finance expenses	**4,649**	**31,573**	**21,252**	**579.1%**	**(32.7%)**	**113.8%**

Source: Audited financial statements

- **Finance Expenses Resulting from Short-Term Loans**

Finance expenses relate to interest on bank facilities issued by Banque Saudi Fransi, Alawwal Bank, Arab National Bank, Bank Albilad, the Saudi Investment Bank and Saudi British Bank. The facilities were mainly used to pay rent to secretariats, for guarantees (performance bonds, bid bonds and purchase guarantees) and to finance working capital requirements. Al Arabia obtained additional facilities in FY 2019G to finance its operations and the growth of the Company.

Finance expenses resulting from short-term loans dropped by 8.4% as a result of the reduction of short-term loans during 2020G. This decrease was offset by a slight increase resulting from increased expenses related to finance costs for letters of credit and letters of guarantee in 2020G, where the usage percentage was higher in 2020G compared to 2019G.

- **Finance Expenses Resulting from the Calculation of Employee Benefit Obligations**

These expenses include interest related to employee end of service benefits due under the Saudi Labour Law and the Workers' Law. They are calculated on the basis of the employee's basic salary and the number of years of service. These expenses increased during the historical period due to an increase in the number of employees, with 36 new employees in FY 2018G and 24 new employees in FY 2019G.

Finance expenses resulting from the calculation of employee benefit obligations dropped during FY 2020G as a result of the decrease in the finance ratio used by the actuary, from 3.9% in FY 2019G to 2.5% in FY 2020G.

- **Finance Expenses Resulting from Lease Liabilities**

After the Company adopted IFRS 16 "Leases", the financial expenses of leases during FY 2019G were about SAR 23.5 million.

Finance expenses related to lease liabilities dropped during 2020G as a result of the reduction of the percentage used in calculating these liabilities from 3.6% in FY 2019G to 2.5% in FY 2020G.

6-7-1-7 Other Net Income

Table (6-23): Other Net Income for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Other income	1,224	1,966	845	60.6%	(57.0%)	(16,9%)
Gain/loss on sale of property and equipment	(625)	(753)	(519)	20.5%	(31.1%)	(8.9%)
Total other net income	**600**	**1,213**	**327**	**102.2%**	**(73.0%)**	**(26.2%)**

Source: Audited financial statements

Other net income includes profit and loss on the sale of billboards. Other income relates to profit from sales of billboards that were scrapped due to car accidents or revenues from the sale of recycled materials (such as posters previously used in campaigns). The fluctuation in the value of other income during the historical years is a result of the difference in the number of billboards sold and the sale prices compared to the book value of each billboard.

Loss on the sale of property and equipment in fiscal years 2018G, 2019G and 2020G resulted mainly from the sale of billboards at a price lower than the net book value.

6-7-1-8 Zakat

Zakat expense decreased by 4.6%, from SAR 9.2 million in FY 2018G to SAR 8.7 million in FY 2019G, due to the decrease in the Zakat provision for the year by about SAR 390 thousand.

The Company has submitted Zakat returns for all years up to 2019G and paid the Zakat amounts due within the specified date. The Company has obtained final Zakat and income certificates for the years 2017G, 2018G and 2019G, which are still under consideration by the Zakat, Tax and Customs Authority with regard to the final assessment for those years. The Company has obtained final Zakat assessments up to 2016G.

The Company submitted its Zakat returns up to the fiscal year ended 31 December 2020G and obtained a certificate from the Zakat, Tax and Customs Authority on 6 April 2021G. The Company received a Zakat assessment for FY 2018G with total Zakat differences of (SAR 3.5 million). The Company objected to the differences amount, and the Zakat, Tax and Customs Authority issued a notice on 28 January 2021G dismissing the objection. The objection against the Zakat assessment performed by the Zakat, Tax and Customs Authority was then submitted to and escalated with the General Secretariat of Tax Committees under No. 37401-2021 on 15 February 2021G.

Zakat dropped by 39.4%, in the amount of SAR 3.4 million, in 2020G due to the decreased net profit during FY 2020G.

6-7-1-9 Net profit

Net profit increased by 68.6%, or SAR 91.7 million, between FY 2018G and 2019G. This increase was mainly in line with higher annual revenues. Net profit dropped by 88.8%, or SAR 200 million, between FY 2020G and 2019G due to the decrease in sales as a result of the COVID-19 pandemic.

6-7-1-10 Other comprehensive loss

Other comprehensive loss relates to losses from the re-evaluation of end-of-service benefits. Losses or profits arise from changes in the financial assumptions related to the interest rate used to calculate the staff benefit obligations due and the annual growth rate of staff salaries.

The loss resulting from re-evaluating the end-of-service benefit remained stable in 2019G, mainly due to the reduction of the discount ratio used, which was offset by a decrease in the average annual salary growth rate.

In 2020G, the impact of the decrease in the annual salary growth rate exceeded the impact of the decrease in the interest rate, which caused an actuarial profit for the end-of-service benefits as part of other comprehensive income.

6.7.2 Statement of Financial Position

The following table illustrates the Company's statement of financial position as at 31 December 2018G and the Company's consolidated statement of financial position for the fiscal year ended 31 December 2019G:

Table (6-24): Statement of Financial Position for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Assets						
Non-current assets						
Property and equipment, net	105,727	124,471	154,913	17.7%	24.5%	21.0%
Right-of-use	-	775,074	694,378	-	(10.4%)	-
Total non-current assets	**105,727**	**899,545**	**849,291**	**750.8%**	**(5.6%)**	**183.4%**
Current assets						
Inventory, net	12,982	12,990	15,627	0.1%	20.3%	9.7%
Trade receivables, net	288,087	357,896	335,519	24.2%	(6.3%)	7.9%
Due from Related Parties	23,445	24,028	18,737	2.5%	(22.0%)	(10.6%)
Prepaid expenses and other accounts receivable	299,719	58,514	69,112	(80.5%)	18.1%	(52.0%)
Cash and cash equivalents	18,523	36,089	26,585	94.8%	(26.3%)	19.8%
Total current assets	**642,756**	**489,517**	**465,579**	**(23.8%)**	**(4.9%)**	**(14.9%)**
Total assets	**748,483**	**1,389,062**	**1,314,870**	**85.6%**	**(5.3%)**	**32.5%**
Liabilities and equity						
Equity						
Share capital	250,000	500,000	500,000	100.0%	0.0%	41.4%
Statutory reserve	75,000	22,466	25,080	(70.0%)	11.6%	(42.2%)
Retained earnings	114,321	1,815	1,337	(98.4%)	(26.3%)	(89.2%)
Total equity	**439,321**	**524,281**	**526,417**	**19.3%**	**0.4%**	**9.5%**
Non-current liabilities						
Defined benefits to employees	12,139	13,412	12,680	10.5%	(5.5%)	2.2%
Lease liabilities	-	316,233	316,255		0.0%	-
Total non-current liabilities	**12,139**	**329,646**	**328,935**	**2615.6%**	**(0.2%)**	**420.6%**
Current liabilities						
Lease liabilities – current portion	-	176,965	215,409	0.0%	21.7%	-
Short-term loans	139,385	239,467	131,795	71.8%	(45.0%)	(2.8%)
Due to Related Parties	1,000	-	-	(100.0%)	-	(100.0%)
Suppliers	2,027	2,667	7,238	31.6%	171.4%	89.0%
Accrued expenses and other accounts payable	145,446	107,262	98,213	(26.3%)	(8.4%)	(17.8%)
Zakat provision	9,164	8,774	6,863	(4.3%)	(21.8%)	(13.5%)
Total current liabilities	**297,022**	**535,135**	**459,518**	**80.2%**	**(14.1%)**	**24.4%**
Total liabilities	**309,161**	**864,781**	**788,453**	**179.7%**	**(8.8%)**	**59.7%**
Total liabilities and equity	**748,483**	**1,389,062**	**1,314,870**	**85.6%**	**(5.3%)**	**32.5%**

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase / (decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
KPIs						
Return on assets	17.9%	16.2%	1.9%	(9.2%)	(88.2%)	
Return on equity	30.4%	43.0%	4.8%	41.2%	(88.9%)	
Current assets/current liabilities	2.2x	0.9x	1.0x	(57.7%)	10.8%	
Debt to total equity	0.7x	1.6x	1.5x	134.4%	(9.2%)	
- Days accounts receivable ratio (days)	165	166	246	0.8%	48.4%	
Days in inventory ratio (days)	11	11	14	(0.4%)	36.2%	
Days accounts payable ratio (days)	2	2	7	31.0%	207.2%	
Days of cash conversion cycle (CCC)	173	174	253	0.5%	45.7%	
Trade receivables turnover	2.31	2.44	1.44	5.4%	(41.1%)	
Inventory turnover	35.02	34.74	27.85	(0.8%)	(19.8%)	
Accounts payable turnover	273.87	192.20	80.47	(29.8%)	(58.1%)	

Source: Audited financial statements

Total assets rose by SAR 640.6 million, equivalent to 85.6%, on 31 December 2019G, compared to 31 December 2018.This rise is mainly associated with the right-of-use which emerged after applying IFRS 16 and amounted to SAR 775.1 million.

Assets dropped by SAR 74.2 million, equivalent to 5.3%, on 31 December 2020G, mainly due to the decrease in the right-of-use of assets and liabilities by Related Parties, the trade receivable net balance and cash and cash equivalents during the period. This was offset by an increase in the property and equipment net balance, prepaid expenses and other accounts receivable, and inventory, by SAR 43.7 million, equivalent to 22.3%, as at 31 December 2020G compared to 31 December 2019G.

Total liabilities rose by 179.7%, equivalent to SAR 555.6 million, on 31 December 2019G, compared to 31 December 2018G due to lease liabilities after the application of IFRS 16, in addition to the increase of short-term loans in 2019G. This was offset by a decrease in accrued expenses and other accounts payable. Liabilities dropped by 8.8%, equivalent to SAR 76.3 million, on 31 December 2020G, compared to 31 December 2019G, due to the decrease in short-term loans in 2020G, which was offset by a decrease in current lease liabilities.

Total equity rose by 19.3%, equivalent to SAR 85.0 million, from SAR 439.3 million on 31 December 2018G to SAR 524.3 million on 31 December 2019G, for recording net profits during the year amounting to SAR 225.3 million, which was offset by dividends of SAR 139.7 during the same year. Total equity rose by 0.4%, equivalent to SAR 2.1 million, for recording net profits of SAR 25.2 million during 2020G, which was offset by dividends of SAR 24.0 million during the same year.

6-7-2-1 Non-current assets

Property, plant and equipment

Table (6-25): Net Book Value of Property and Equipment for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	2018G Audited	Additions	Transfers	Exclusions	Depreciation	2019G Audited	Additions	Transfers	Exclusions	Depreciation	2020G Audited
Land	-	-	-	-	-	-	1,359	-	-	-	1,359
Buildings	8,010	-	716	-	(620)	8,106	679	208	(235)	(798)	7,960
Static and dynamic billboards	64,159	22,239	11,963	(1,391)	(19,472)	77,498	-	41,894	(1,443)	(20,408)	97,540
Vehicles	1,180	1,385	-	(19)	(947)	1,599	275	435	(14)	(826)	1,469

SAR'000	2018G Audited	Additions	Transfers	Exclusions	Depreciation	2019G Audited	Additions	Transfers	Exclusions	Depreciation	2020G Audited
Furniture	1,898	257	-	(12)	(565)	1,579	557	144	(2)	(636)	1,641
Machines and equipment	11,371	6,428	-	-	(2,761)	15,038	2,257	-	(59)	(3,029)	14,207
Projects under development	19,108	14,223	(12,679)	-	-	20,652	52,861	(42,681)	(94)	-	30,737
Net book value	**105,727**	**44,531**	**-**	**(1,422)**	**(24,365)**	**124,471**	**57,987**	**-**	**(1,847)**	**(25,698)**	**154,913**

Source: Audited financial statements

In the fiscal year ended 31 December 2019G, property and equipment included land, buildings, static and dynamic billboards, cars, furniture and furnishings, appliances and equipment and projects under development.

Land

In 2020G, Al Arabia purchased two villas and the land they are built on in Dammam for housing the Company's personnel. The value of purchased land was SAR 1.4 million.

Buildings

The net book value of buildings amounted to SAR 8.0 million in 2020G. It mainly consisted of Al-Rawiyya Press building in Jeddah (SAR 3.8 million), Al-Rawiyya Press building in Riyadh (SAR 0.7 million), head office décor (SAR 2.8 million), and two villas in Dammam (SAR 0.7 million) which were purchased in 2020G.

The net book value of buildings rose on 31 December 2019G by SAR 96 thousand as a result of internal transfers from projects under development (SAR 716 thousand) related to maintenance expenses which were capitalised, less depreciation for the year (SAR 620 thousand). The net book value of buildings dropped to SAR 8.0 million on 31 December 2020G as a result of recording depreciation of SAR 0.8 million during 2020G and disposals of SAR 0.2 million in 2020G. This was offset by additions of SAR 678 thousand in 2020G, mainly in relation to two villas in Dammam, and transfers from projects under development during the year in the amount of SAR 0.2 million.

Static and dynamic billboards

During 2020G, the Company had 4,942 static billboards with a net book value of SAR 86.1 million, and 73 indoor billboards with a net book value of SAR 11.5 million.

The net book value rose on 31 December 2019G as a result of additions and transfers from projects under development and amounted to SAR 34.1 million.

The net book value rose on 31 December 2020G as a result of net disposals and transfers from projects under development, which represented 408 outdoor billboards in the amount of SAR 35.4 million, and 42 indoor billboards in the amount of SAR 5.6 million during 2020G. These transfers were offset by disposals of SAR 1.4 million during 2020G and depreciation of billboards during 2020G in the amount of SAR 20.4 million.

The number of billboards disposed of in 2019G and 2020G amounted to 2,539 and 1,015 respectively across various sites in the Kingdom of Saudi Arabia.

Vehicles

The net book value of cars was SAR 1.6 million as at 31 December 2019G. This mainly related to cars used by the Company's maintenance teams across the Kingdom of Saudi Arabia. The increase as at 31 December 2019G resulted from total additions of SAR 1.39 million less depreciation for the year (SAR 947 thousand).

The book value of cars dropped by SAR 130 thousand on 31 December 2020G compared to 31 December 2019G. This decrease is due to depreciation of SAR 826 thousand in 2020G, offset by additions and transfers in the amount of SAR 275 thousand and SAR 435 thousand in 2020G. Additions in 2020G consisted of eight cars.

Furniture

The decrease in net book value on 31 December 2019G resulted from total additions of SAR 257 thousand, disposals of SAR 12 thousand, and depreciations of SAR 565 thousand.

The net book value rose on 31 December 2020G by SAR 62 thousand, mainly as a result of additions during the year which amounted to SAR 557 thousand and transfers in the amount of SAR 144 thousand. This was offset by depreciation of SAR 636 thousand during 2020G.

Machines and equipment

The value of machines and equipment rose during 2019G as a result of additions of SAR 6.4 million, represented in the additions of KBA printing machines in the amount of SAR 5.5 million, Seiko Color paint in the amount of SAR 0.2 million, and other equipment, less depreciation, of SAR 2.8 million.

In 2020G, the book value of machines and equipment dropped to SAR 14.2 million on 31 December 2020G. This decrease is due to depreciation of SAR 3.0 million during 2020G, compared to additions of SAR 2.3 million, mainly related to equipment and machines for the offset press, including gluing, merging, cutting, and folding machines.

Projects under development

On 31 December 2019G, the balance of projects under development was SAR 20.7 million, mainly represented in indoor and outdoor billboards. The decrease on 31 December 2018G was due to the transfer of several items to fixed assets (static and dynamic billboards), and the transfer of two buildings under construction in Riyadh (Sudair) to Advanced Digital Systems, at a book value of SAR 17.1 million. The decrease on 31 December 2019G was due to the transfer of several items from projects under development to billboards (static and dynamic), which were added to the Company's billboards, and machines and equipment for the printing office in Jeddah. The projects under development balance also rose to SAR 30.7 million on 31 December 2020G, which included projects under development mainly related to 1,238 billboards, and one car. Management expects that the estimated cost to complete projects under development as at December 2020G is SAR 16.1 million.

Depreciation is calculated on a straight-line basis over the following useful lives:

Table (6-26): Useful Life of Assets

Category	Year
Buildings	20
Static and Dynamic Billboards	7
Vehicles	4
Furniture	10
Machines and Equipment	10

Source: Audited financial statements

Fully depreciated assets were 20.4% of the total net book value of property and equipment as at 31 December 2020G.

Right-of-use

Table (6-27): Right-of-use Assets for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December		
	2018G	2019G	2020G
	Audited		
Right-of-use assets			
Balance on initial application	-	1,113,286	-
Balance as at 1 January	-	-	1,149,489
Adjustment	-	-	(4,067)
Additions during the year	-	36,203	264,368
Sum of total assets	**-**	**1,149,489**	**1,409,790**

Fiscal Year Ended 31 December			
SAR'000	2018G	2019G	2020G
	Audited		
Right-of-use depreciation			
Balance as at 1 January	-	-	(374,415)
Adjustment	-	-	11,383
Depreciation during the year	-	(374,415)	(352,380)
Balance at end of FY	-	(374,415)	(715,411)
Balance at end of the year	**-**	**775,074**	**694,378**

Source: Audited financial statements

Upon the adoption of IFRS 16, the Company applied a single recognition and measurement principle for all lease agreements in cases where the Company is a lessee, except for short-term leases and low-value asset leases. The Company recognised liabilities for lease payments and right-of-use assets, which represent the right-of-use assets included in leases. The Company applied IFRS 16 on the initial date of application. Right-of-use assets were measured in an amount equal to the lease liabilities, and adjusted for the prepayments and lease payments due related to those leases recognised in the statement of financial position as at 31 December 2018G. Therefore, comparative information is not re-accounted.

Effects of the change in the accounting policy on items in the balance sheet on 01 January 2019G include:

- recognition and presentation of right-of-use assets amounting to SAR 1,113.3 million separately upon initial application;
- recognition of additions during the year to the right-of-use assets amounting to SAR 36.2 million; and
- reclassification of SAR 255.5 million related to operating leases previously classified as prepayments into right-of-use assets.

Right-of-use dropped by SAR 80.7 million in 2020G due to additions of SAR 264.4 million from new contracts that commenced in 2020G, which were offset by depreciation of right-of-use assets in the amount of SAR 352.4 million, in addition to net adjustments in the amount of SAR 7.3 million as a result of some extensions and discounts granted to the Company as compensation for the lockdown period caused by the COVID-19 pandemic.

6-7-2-2 Current Assets

Table (6-28): Current Assets for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended on 31 December 2019G and 2020G

Fiscal Year Ended 31 December						
SAR'000	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Inventory, net	12,982	12,990	15,627	0.1%	20.3%	9.7%
Net trade receivables	288,087	357,896	335,519	24.2%	(6.3%)	7.9%
Due from Related Parties	23,445	24,028	18,737	2.5%	(22.0%)	(10.6%)
Prepaid expenses or other accounts receivable	299,719	58,514	69,112	(80.5%)	18.1%	(52.0%)
Cash and cash equivalents	18,523	36,089	26,585	94.8%	(26.3%)	19.8%
Total current assets	**642,756**	**489,517**	**465,579**	**(23.8%)**	**(4.9%)**	**(14.9%)**

Source: Audited financial statements

Inventory

Table (6-29): Inventory for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Paper and other materials	12,461	13,454	14,167	8.0%	5.3%	6.6%
Spare parts	1,528	1,097	3,021	(28.2%)	175.4%	40.6%
Inventory, gross	**13,989**	**14,551**	**17,188**	**4.0%**	**18.1%**	**10.8%**
Inventory depreciation	(1,007)	(1,561)	(1,561)	55.0%	0.0%	24.5%
Inventory, net	**12,982**	**12,990**	**15,627**	**0.1%**	**20.3%**	**9.7%**

Source: Audited financial statements

Table (6-30): Impairment of Inventory for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Opening balance	1,007	1,007	1,561	-	55.0%	24.5%
Provision	-	554	-	100.0%	(100.0%)	N/A
Total inventory depreciation	**1,007**	**1,561**	**1,561**	**55.0%**	**-**	**24.5%**

Source: Audited financial statements

On 31 December 2020G, raw materials accounted for 82.4% of total inventory, which consists of paper, ink and other printing materials (for digital and silk-screen printing). Spare parts accounted for 17.6% of the total inventory.

As at 31 December 2020G, the net inventory was SAR 15.6 million and it consisted mainly of raw materials (SAR 14.2 million), which includes paper, ink and other printing materials (for digital printing and silk) and spare parts (SAR 3.0 million), less the provision for slow moving and obsolete inventory (SAR 1.6 million).

The net inventory balance remained stable at SAR 13.0 million between 2018G and 2019G. The increase in inventory during 2020G is mainly due to the increase of spare parts from SAR 1.1 million in 2019G to SAR 3.0 million in December 2020G. This increase is due to the lower depreciation of such parts in maintenance operations during 2020G, in line with the decreased use of billboards and the drop in revenues.

Trade receivables

Table (6-31): Analysis of the Lives of Trade Receivables for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Less than 30 days	61,668	188,586	176,008	205.8%	(6.7%)	68.9%
31 to 90 days	88,324	81,475	89,084	(7.8%)	9.3%	0.4%
91 to 180 days	65,561	34,436	23,748	(47.5%)	(31.0%)	(39.8%)
181 to 365 days	70,613	29,093	22,513	(58.8%)	(22.6%)	(43.5%)
More than 365 days	1,921	20,613	22,083	973.0%	7.1%	239.1%
Net trade receivables	**288,087**	**354,204**	**333,437**	**23.0%**	**(5.9%)**	**7.6%**
Notes receivable	-	3,693	2,082	100.0%	(43.6%)	100.0%
Net trade receivables including checks	**288,087**	**357,896**	**335,519**	**24.2%**	**(6.3%)**	**7.9%**

Source: Audited financial statements

In fiscal years 2018G, 2019G, and 2020G, the balance of trade receivables consisted of balances due from clients, advertising agencies and direct clients. On 31 December 2019G, the balance notably increased (by 24.2%) compared to the balance as at 31 December 2018G for several reasons, including: (1) increased sales in the last quarter of the year due to increased advertising campaigns related to Riyadh Season events, the offering of Aramco stocks on the stock exchange (Tadawul), and the renewal of the STC brand; (2) delayed payment by some key clients, whose accounts receivable can be reduced against the quantitative discounts due of SAR 34.8 million; and (3) government balances, which are usually delayed for relatively longer periods (settlement takes up to two years) compared to other client balances, as the Company deals with government sectors directly or indirectly via advertising agencies.

The balance of net trade receivables dropped to SAR 335.5 million as at 31 December 2020G due to slow collection because clients had low liquidity as a result of the COVID-19 pandemic, and increased sales in the third and fourth quarters of 2020G compared to the first half of the same year, leading to increased 0-90 days accounts receivable in December 2020G. These accounts receivable accounted for 53.3% of the revenue made in 2020G, compared to 34.3% of the revenue made in 2019G.

In 2019G, notes receivable of SAR 3.7 million of cash in banks were reclassified as trade receivables. The balance in 2019G was five checks with maturity dates between February 2020G and July 2021G. Some clients pay the amounts due via bank checks.

The notes receivable balance of SAR 2.1 million in 2020G was three checks with maturity dates between November 2020G and May 2021G.

Table (6-32): Movement of the Provision for Doubtful Debts for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Balance as at 1 January	1,800	1,800	5,283	0.0%	193.5%	71.3%
Depreciation charged for the year	-	3,483	8,000	100.0%	129.7%	100.0%
Balance as at 31 December	**1,800**	**5,283**	**13,283**	**193.5%**	**151.4%**	**171.7%**

Source: Audited financial statements

In 2018G and 2019G, a provision for doubtful debts was made when there was objective evidence that the Company would not be able to collect its debts. Bad debts are written off when identified.

The criteria for determining the amount to be impaired or written off include aging analysis, technical assessments and subsequent events. Recognition of impairment and reduction of receivables is subject to the approval of Management.

The credit period granted to clients ranges from 30 days to 90 days. As at 31 December 2018G, the provision for doubtful debts (SAR 1.8 million) represented a balance related to a client who declared its bankruptcy in July 2017G. This debt has not been written off, as it belongs to Saudi Oger and there is record of a receivables balance submitted by the Commercial Court, which is not a lawsuit. The Company has also established a doubtful debt provision for the full receivables amount.

The provision for doubtful debts as at 31 December 2019G increased by SAR 3.5 million due to the liquidity problems of a direct client from the private sector. As at 31 December 2019G, the client's balance was past due for more than one year.

In its policies on sales and ages of (client) receivables, the Company depends on the budget approved at the beginning of 2019G. The lower receivables model was not applied as the standard was recently introduced and applied at the end of 2019G. Trade receivables bear interest and are due after a period of 30 to 90 days from the issuance of the invoice. The fair value of receivables with a one-month maturity equals the book value of those receivables as at 31 December 2019G because they are due within a period of less than 12 months from the date of the balance sheet. The Company has guarantees for receivables. The Company adopts the simplified approach to calculate expected credit losses as stipulated in IFRS 9, which allows the use of a lifetime expected loss provision for all accounts receivable. For calculation of expected credit losses, accounts receivable are grouped based on common credit risk characteristics and days overdue.

During 2020G, Management applied IFRS 9 (Estimation of the Provision for Expected Credit Losses) which led to an increase in the provision by SAR 8.0 million on 31 December 2020G compared to 31 December 2019G.

Table (6-33): Table of the Lives of the Top 10 Accounts Receivable for the Company's Consolidated Financial Statements for the Fiscal Year Ended 31 December 2020G

	Fiscal Year Ended 31 December 2020G						
SAR'000	Less than 30 days	31 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	Balance as at 2020G	DSO index
Client 1	16,738	16,136	4,192	229	37	37,332	432
Client 2	31,871	14,955	276	-	-	47,102	253
Client 3	24,278	9,547	2,759	-	-	36,584	329
Client 4	17,762	6,283	3,767	81	-	27,894	191
Client 5	3,407	2,749	191	6,164	990	13,501	500
Client 6	13,016	-	-	-	-	13,016	441
Client 7	-	-	-	-	12,556	12,556	N/A
Client 8	11,449	18	-	-	-	11,467	153
Client 9	3,175	1,448	-	4,989	-	9,612	298
Client 10	8,029	920	-	-	-	8,949	502
Top 10 balances	**129,725**	**52,057**	**11,184**	**11,463**	**13,583**	**218,012**	**432**
Other	54,313	37,946	12,564	11,050	8,500	115,424	
Total accounts receivable	**184,038**	**90,003**	**23,748**	**22,513**	**22,083**	**333,437**	

Source: The Company

Client 1

In 2020G, the revenues recognised from this agency amounted to SAR 31.5 million (net quantitative discounts). Most of the accounts receivable balance was outstanding for less than 180 days as at December 2020G and SAR 11.2 million was collected in 2021G (as at 10 March 2021G).

Client 2

In 2020G, the revenues recognised from this agency amounted to SAR 68.1 million (net quantitative discounts). Most of the accounts receivable balance was outstanding for less than 90 days as at December 2020G and SAR 24.4 million was collected in 2021G (as at 10 March 2021G).

Client 3

In 2020G, the revenues recognised from this agency amounted to SAR 40.6 million (net quantitative discounts). The accounts receivable balance was outstanding for less than 180 days as at December 2020G and SAR 11.0 million was collected in 2021G (as at 10 March 2021G).

Client 4

In 2020G, the revenues recognised from this agency amounted to SAR 53.4 million (net quantitative discounts). The accounts receivable balance was outstanding for less than 180 days as at December 2020G and SAR 10.1 million was collected in 2021G (as at 10 March 2021G).

Client 5

In 2020G, the revenues recognised from this agency amounted to SAR 9.8 million (net quantitative discounts). 47.0% of the accounts receivable balance was outstanding for less than 180 days as at December 2020G, and SAR 6.3 million was collected in 2021G (as at 10 March 2021G).

Client 6

In 2020G, the revenues recognised from this agency amounted to SAR 10.8 million (net quantitative discounts). The entire accounts receivable balance was outstanding for less than 30 days as at December 2020G and the sum was collected in 2021G (as at 10 March 2021G).

Client 7

In 2020G, the client's accounts receivable balance was outstanding for more than one year without registering revenues in 2020G, and none of the amounts due were collected during FY 2021G (as at 10 March 2021G).

Client 8

This client was a direct client of the Company in 2020G with recognised revenues of SAR 27.4 million (net quantitative discounts). Most of the accounts receivable balance was outstanding for less than 30 days as at December 2020G. The amount of SAR 15.6 million was collected from this client during 2021G (as at 10 March 2021G).

Client 9

In 2020G, the revenues recognised from this client amounted to SAR 11.8 million (net quantitative discounts). 48.1% of the accounts receivable balance was outstanding for less than 90 days as at December 2020G and the amount of SAR 3.0 million was collected in 2021G (as at 10 March 2021G).

Client 10

In 2020G, the revenues recognised from this brand amounted to SAR 6.5 million (net quantitative discounts). The accounts receivable balance was outstanding for less than 90 days as at December 2020G and the amount of SAR 2.8 million was collected in 2021G (as at 10 March 2021G).

Due from Related Parties

Table (6-34): Due from Related Parties for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Engineer Holding Group Company	-	18,737	18,737	100.0%	0.0%	100.0%
SignWorld	6,369	5,292	-	(16.9%)	(100.0%)	(100.0%)
Advanced Digital Systems	17,077	-	-	(100.0%)	-	(100.0%)
Total due from Related Parties	**23,445**	**24,028**	**18,737**	**2.5%**	**(22.0%)**	**(10.6%)**

Source: Audited financial statements

The balance as at 31 December 2018G represented accounts receivable related to financing SignWorld (SAR 6.4 million) and Advanced Digital Systems (SAR 17.1 million). The increased balance as at 31 December 2019G is due to the increase of SAR 18.7 million in the balance of Engineer Holding Group Company, however, the increase was affected by the settlement of the aforementioned balance of Advanced Digital Systems.

Accounts receivable from Engineer Holding Group Company on 31 December 2019G represented the following:

- The transfer of SAR 17.1 million payable for two buildings which were transferred to Advanced Digital Systems, owned by Engineer Holding Group Company, during 2018G, which were then transferred from Advanced Digital Systems to Engineer Holding Group Company in 2019G.
- SAR 1 million related to salaries and insurance costs for three employees sponsored by the Company who were partially hired at Engineer Holding Group Company. The Company covered these costs and they were charged to Engineer Holding Group on 31 December 2019G.
- In December 2020G, there was no change in the balance of Engineer Holding Group Company (SAR 18.7 million). The life of the sums due from Engineer Holding Group Company was more than one year on 31 December 2020G, and the balance is expected to be collected during 2021G.

The balance due from SignWorld during the historical period was financing in nature. SignWorld provided the Company with billboards in 2020G, resulting in a decrease in the balance to zero on 31 December 2020G.

During 2020G, the Company paid an advance payment of SAR 9.3 million to SignWorld for billboards for the various projects ongoing within CWIP to replace static billboards with digital ones.

There is no analysis for the lives of Related Party sums given that the nature of transactions with Related Parties are primarily related to financing and paying the Company's expenses.

Prepaid expenses and other accounts receivable

Table (6-35): Prepaid Expenses and Other Accounts Receivable for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Prepaid rent for billboard sites	288,660	44,472	33,442	(84.6%)	(24.8%)	(66.0%)
Prepaid expenses and other accounts receivable	3,399	6,174	16,262	81.6%	163.4%	118.7%
Prepayments to suppliers and prepaid expenses	1,791	3,442	6,182	92.2%	79.6%	85.8%
Prepayments to suppliers and prepaid expenses to Related Parties	-	-	9,325	0.0%	100,%	100.0%
Staff receivables	3,569	2,123	1,920	(40.5%)	(9.6%)	(26.7%)
Bank securities and documentary letters of credit	2,299	2,303	1,674	0.2%	(27.3%)	(14.7%)
Other	-	-	307	-	-	-
Total prepaid expenses and other accounts receivable	**299,718**	**58,514**	**69,112**	**(80.5%)**	**18.1%**	**(52.0%)**

Source: Audited financial statements

- **Prepaid rent for billboard sites**

Prepaid rent represents prepayments for billboard sites for the municipalities of Riyadh, Jeddah, Dammam, and other regions. As at 31 December 2020G, the Company has 70 lease agreements for outdoor billboards with municipalities in all regions across the Kingdom of Saudi Arabia. Usually, the term of these lease contracts is five years and they are paid in advance on an annual basis. In some cases, both parties can agree to quarterly payments for a particular year other than the first year. The Company also usually grants a free three-month period in the first year of the agreement.

This item consists of prepaid rent to regional secretariats in the Kingdom of Saudi Arabia. Lease terms are usually five years, and the Company pays the rent in advance on an annual basis. In some cases, the Company may agree with the secretariats on quarterly payments for a particular year. The Company is also given a free three-month period to prepare and install billboards in accordance with the requirements of the municipality's properties around the Kingdom of Saudi Arabia.

The decreased balance as at 31 December 2019G is due to the application of IFRS 16, as the balance of SAR 281.9 million was reclassified to right-of-use assets. The balance as at 31 December 2020G also dropped due to the shortage of new contracts made in 2020G in all regions, except Riyadh, as the Company entered into a new Mezah contract in 2020G. Prepaid rent under such contracts was to SAR 26.4 million representing 79% of the prepaid billboard site rent.

Prepayments are primarily made due to the timing difference between the actual payment date and the commencement of the contract term.

Table (6-36): Prepaid Billboard Site Rent by Region for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

	Fiscal Year Ended 31 December				
SAR'000	2018G	2019G Before Reclassification	Reclassification Resulting from the Application of IFRS 16	2019G After Reclassification	2020G
Riyadh	110,685	115,364	(84,836)	30,528	32,942
Jeddah	131,455	169,859	(169,859)	-	500
Dammam and Khobar	28,415	23,579	(12,409)	11,170	-
Madinah	6,690	5,708	(5,708)	-	-
Mecca	4,752	3,721	(3,416)	305	-
Southern Province	1,042	3,215	(20.43)	1,172	-
Qassim	2,033	2,422	(2,422)	-	-
Eastern Province (except Dammam and Khobar)	3,209	2,044	(817)	1,226	-
Northern Province	378	416	(346)	71	-
Reclassification	-	(281,856)	N/A	N/A	-
Total	**288,660**	**44,472**	**(281,856)**	**44,472**	**33,442**

Source: The Company

Riyadh

In December 2018G and December 2019G, the prepaid rent balance was relatively stable. Prepayments related to contracts were reclassified to be listed under IFRS 16, which lowered the balance to SAR 30.5 million in December 2019G.

The Company entered into a new Mezah contract in 2020G which led to an increase in the prepaid rent balance. In December 2020G, the number of contracts concluded by the Company amounted to 18 lease contracts in Riyadh, covering around 1,806 billboard sites.

Jeddah

Historically, payments related to some lease contracts concluded with Jeddah Municipality were paid on a quarterly basis. During 2019G, the payment terms were changed to an annual basis, then the cumulative balance was reclassified in full after the application of IFRS 16.

In December 2020G, prepaid rent rose from zero in December 2019G to SAR 0.5 million in December 2020G. No new contracts were signed in 2020G, and the remaining balance was related to existing contracts. In December 2020G, the number of contracts concluded by the Company amounted to four lease contracts in Jeddah region, covering around 1,218 billboard sites.

Dammam and Khobar

The lower prepaid rent balance in Dammam in December 2019G is due to: (1) the expiration of some lease agreements which covered 30 billboards (SAR 2.7 million); (2) the cancellation of some sites from a lease contract which covered 120 Megacom billboards (SAR 1.2 million); and (3) the reclassification of prepayments related to contracts to be listed under IFRS 16, which lowered the balance to SAR 11.2 million in December 2019G.

Prepaid rent related to the contracts covering the Dammam region decreased from SAR 11.2 million in December 2019G to zero in December 2020G, as no new contracts were concluded during 2020G. There was no record of prepayments relating to the new contracts in December 2020G. In December 2020G, the number of contracts concluded by the Company amounted to five lease contracts in the Dammam region, covering around 1,090 billboard sites.

Madinah

The lower prepaid rent in December 2019G is due to the expiration of a lease agreement for 500 Mupi billboards for SAR 0.9 million, and the reclassification of prepayments related to the contracts listed under IFRS 16. This lowered the balance to zero in December 2019G, as no new contracts were concluded during 2020G. There was no record of prepayments pertaining to existing contracts in December 2020G. In December 2020G, the number of contracts concluded by the Company amounted to four lease contracts in the Madinah region, covering around 141 billboard sites.

Mecca

Mecca Secretariat did not issue any payment invoices at the end of 2019G, which lowered the prepaid balance in December 2019G. Prepayments relating to the contracts listed under IFRS 16 were reclassified, which lowered the balance to SAR 0.3 million in December 2020G. In 2020G, the prepaid amount was paid and the balance was down to zero in December 2020G. No new contracts were concluded during 2019G. In December 2020G, the number of contracts concluded by the Company amounted to eight lease contracts in Mecca, covering around 233 billboard sites.

- **Prepaid expenses and other accounts receivable**

As at 31 December 2019G, the balance increased due to the reclassification of the Flynas airline balance (SAR 4.7 million) from trade receivables to this item. This balance resulted from the conclusion of a swap agreement between the two parties, whereby the Company provides advertising services to the airline and receives flight ticket booking services in return from Flynas instead of being paid in cash.

Prepaid expenses and other accounts receivable rose to SAR 16.3 million on 31 December 2020G due to the increase in the prepaid IPO costs of SAR 10.2 million on 31 December 2020G. These costs include payments to various IPO consultants, including the financial, market, due diligence, and legal consultants. These payments were listed under the prepayments item rather than the expenses item because all IPO costs will be borne by the shareholders who will sell their shares in the IPO and they will be deducted from the IPO proceeds.

- **Prepayments to suppliers and prepaid expenses**

Balances with third parties represent prepayments to suppliers and prepaid rent for the head office and branches, as well as deposits with third parties and employee prepaid housing.

As at 31 December 2018G, the balance decreased as a result of receiving screens from Dactronics (which led to the balance being zero) and due to the reclassification carried out in 2017G. As at 31 December 2018G, the balance included prepayments of SAR 468 thousand to the supplier of LED screens (InfiLED EM International), prepayments of SAR 220 thousand to the supplier of printing machines (Koenig & Bauer Sheetfed) for Riyadh Press, and prepayments of SAR 200 thousand to the ink supplier (Colour System Est.).

In December 2019G, the balance rose due to the prepayment of SAR 1.5 million made to the supplier Dactronics relating to the purchase of Mezah and Mega billboards, and the prepayment of SAR 1.7 million to the indoor billboard designer, an architectural and design consultation company (Zaha Hadid Architects). This was offset by the reclassification of prepaid rent to right-of-use in accordance with IFRS 16.

In 2020G, the balance increased as a result of the increase in some balances to SAR 1.5 million to Al Ghazzawi Professional Association, SAR 804 thousand to Advanced Elements Management Services for the market study and other services pertaining to the future incorporation of a subsidiary in 2021G, SAR 512 thousand to Trueform Digital Co. pertaining to capital expenditures, and SAR 382 thousand to an Italian design firm for delivery of consultation services related to the design of the Diplomatic Quarter.

- **Prepayments to suppliers (Related Parties)**

Prepayments to suppliers (Related Parties) mainly represent payments of SAR 9.3 million pertaining to the purchase of billboards from SignWorld, and a prepayment of SAR 29 thousand to House of Skill Trading and Contracting Company. as at 31 December 2020G, this balance related to the commencement of new projects to replace traditional billboards with digital ones in Riyadh and other cities.

- **Staff Receivables**

The Company provides interest-free loans to its employees for a period of up to four years. As at 31 December 2018G, the increase in the balance was due to the increase in receivables related to the CEO, from SAR 678 thousand as at 31 December 2017G to SAR 1.6 million as at 31 December 2018G. The General Assembly approved these transactions, and these balances were settled by way of dividends.

The decrease in the balance from SAR 3.6 million on 31 December 2018G to SAR 2.1 million on 31 December 2019G is due to the settlement of accounts receivable by the CEO Muhammad Abdelellah Alkhereiji (a shareholder), whose accounts receivable balance in 2018G was SAR 1.6 million and dropped to zero in 2019G.

The fluctuations in this account are usually mainly due to time differences. The change in 2020G was not a material change in the policy of granting such loans.

- **Bank securities and documentary letters of credit**

This item relates to a number of letters of guarantee and documentary letters of credit. The balance increased mainly due to the increase in the value of the letters of guarantee and documentary letters of credit from SAR 133.6 million as at 31 December 2018G to SAR 152.1 million as at 31 December 2019G. In 2020G, the balance dropped as a result of the decrease in short-term loans during the period, from SAR 239.5 in 2019G to SAR 131.8 million in 2020G.

Cash and cash equivalents

Table (6-37): Cash and Cash Equivalents for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Cash in banks	17,258	35,560	25,887	106.0%	(27.2%)	22.5%
Cash in hand	1,265	529	698	(58.2%)	31.9%	(25.7%)
Cash on hand and in banks as at 31 December	**18,523**	**36,089**	**26,585**	**94.8%**	**(26.3%)**	**19.8%**

Source: Audited financial statements

In FY 2018G, cash and cash equivalents included cash in hand totalling SAR 1.3 million and cash in banks totalling SAR 17.3 million. The bank accounts of Al Arabia mainly contained the following: a total of SAR 13.3 million with SABB Bank, a total of SAR 924 thousand with Saudi National Bank, a total of SAR 890 thousand with Arab Bank, and SAR 2.2 million with other banks.

In FY 2019G, cash and cash equivalents included cash in hand totalling SAR 529 thousand and cash in banks totalling SAR 35.6 million. The bank accounts of Al Arabia mainly included: a total of SAR 27.6 million at SABB Bank, a total of SAR 1.1 million at the Arab Bank, a total of SAR 1.0 million at NCB, a total of SAR 938 thousand at the Saudi Investment Bank, and SAR 4.9 million at other banks.

Cash and cash equivalents in 2020G included cash in hand totalling SAR 698 thousand and SAR 25.9 million held at banks. The balance held at banks is divided as follows as at 31 December 2020G:

- SABB Bank: SAR 8.1 million.
- Bank Albilad: SAR 7.1 million.
- Emirates NBD: SAR 3.6 million.
- The Saudi Investment Bank: SAR 2.3 million.
- Other banks: SAR 4.6 million.

The decrease in this item in 2020G is mainly due to the decrease in cash flows from operational activities, and the corresponding settlement of short-term loans during the year.

6-7-2-3 Current liabilities

Table (6-38): Current Liabilities for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December						
SAR'000	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Lease liabilities - current portion	-	176,965	215,409	100.0%	21.7%	100.0%
Short-term loans	139,385	239,467	131,795	71.8%	(45.0%)	(2.8%)
Due to Related Parties	1,000	-	-	(100.0%)	-	(100.0%)
Suppliers	2,027	2,667	7,238	31.6%	171.4%	89.0%
Accrued expenses and other accounts payable	145,446	107,262	98,213	(26.3%)	(8.4%)	(17.8%)
Zakat provision	9,164	8,774	6,863	(4.3%)	(21.8%)	(13.5%)
Total current liabilities	**297,022**	**535,135**	**459,518**	**80.2%**	**(14.1%)**	**24.4%**

Source: Audited financial statements

Lease liabilities - current portion

Table (6-39): Lease Liabilities for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December			
SAR'000	2018G	2019G	2020G
	Audited		
Balance on initial application	-	1,113,286	493,199
Additions during the year	-	36,203	264,368
Adjustment	-	-	(3,917)
Total	**-**	**1,149,489**	**753,650**
Less			
Close of prepaid expenses upon initial application	-	(255,455)	(39,774)
Payments during the year	-	(417,558)	(162,791)
Finance expenses	-	23,471	14,171
Amortisation of accrued and other expenses	-	(6,748)	(33,592)
Balance at the end of the year	**-**	**493,199**	**531,664**
Lease liabilities - current portion		176,965	215,409
Lease liabilities - current portion	-	316,233	316,255
Total	**-**	**493,199**	**531,664**

Source: Audited financial statements

After applying the lease accounting model under IFRS 16, lease liabilities (current portion) were SAR 177.0 million as at 31 December 2019G. Lease liabilities rose by SAR 38.5 million in 2020G as a result of additions of SAR 264.4 million and interest due of SAR 14.2 million. This was offset by repayment of lease liabilities of SAR 162.8 million, deduction of prepaid rent of SAR 40 thousand, depreciation of payable expenses and other expenses of SAR 34 thousand, and adjustments of SAR 3.9 million. The current portion of lease liabilities accounts for SAR 215.4 million of total lease liabilities.

Short-term loans

Table (6-40): Short-term Loans for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Year Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Bank Albilad	-	100,886	69,183	100.0%	(31.4%)	100.0%
The Saudi Investment Bank		44,862	-	-	(100.0%)	0.0%
Alawwal Bank	20,000	-	-	(100.0%)	-	(100.0%)
SABB Bank	24,919	93,720	39,000	276.1%	(58.4%)	25.1%
Banque Saudi Fransi	89,466	-	-	(100.0%)	-	(100.0%)
Riyad Bank	-	-	23,612	-	100.0%	100.0%
Arab Bank	5,000	-	-	(100.0%)	-	(100.0%)
Total short-term loans	**139,385**	**239,467**	**131,795**	**71.8%**	**(45.0%)**	**(2.8%)**

Source: The Company and the audited financial statements

The Company confirms that all loans are secured with a personal guarantee during the historical period and that there are no mortgages related to the loans below:

- **Bank Albilad**

As at 23 December 2019G, the Company obtained the following facilities from Bank Albilad:

1. An Islamic loan (Credit Sale Limit - Revolving) for an availability period of one year from the withdrawal date. The loan was obtained to finance payments to municipalities. The agreement stipulates a facility limit of SAR 100.0 million and service rates of SIBOR +1.5% per annum.
2. An Islamic loan (Credit Sale Limit - Revolving) for an availability period of three years from the withdrawal date. The agreement stipulates a facility limit of SAR 35.0 million and service rates of SIBOR +2.0% per annum, with a consecutive Murabaha mechanism. The loan was obtained for the purpose of equipping the projects assigned by the municipalities. As at 31 December 2020G, there was no outstanding balance for such facilities.
3. Facilities (preliminary letters of guarantee limit - revolving) for an availability period of one year from the withdrawal date for the purpose of issuing guarantees to municipalities to engage in tenders to lease billboard sites from government and semi-government agencies. The agreement stipulates a maximum facility limit of SAR 60.0 million, a fixed interest rate of 5.0%, and tariff commission rates.

In return for providing the above facilities, personal guarantees were presented by Abdelellah Alkhereiji and Muhammad Alkhereiji.

The Company received an email message from the Relationship Manager at Bank Albilad on the failure to observe the financial undertaking of depositing 30% of revenues with Bank Albilad, and the Bank requested that the Company observe these undertakings. Bank Albilad informed the Company that no procedure will be applied as at the date of this message.

- **SABB Bank**

BAs at 29 June 2020G, the Company renewed the following finance agreements with SABB Bank, including:

Five documentary credit facilities to finance the import of raw materials, in the amount of SAR 80.0 million maximum. The facilities are as follows:

1. Financing of documentary credits by Murabaha for a maximum availability period of 180 days. The loan was obtained to finance the import of materials related to the Company's business, and amounts to SAR 80.0 million maximum (combined for all facilities) with a profit margin of SIBOR +1.5% per annum, and credit opening fees equivalent to the tariff approved by SAMA +0.6% per annum.
2. Freight guarantees facility with a maximum limit of SAR 80.0 million, and guarantee issuance fees of SAR 500 minimum per guarantee. The purpose of issuing freight guarantees is to clear goods in the event of the delay of the original bill of lading related to the documentary letters of credit issued by SABB Bank and checks received through SABB Bank.

3. Initial and final guarantees of SAR 80.0 million maximum (combined for all facilities) for the purpose of issuing guarantees for the sites with the Ministry of Municipal and Rural Affairs (for government and semi-government agencies). The agreement stipulates expenses equivalent to the tariff approved by SAMA +0.6% per annum for the initial guarantee and 0.7% per annum for the final guarantee, with a maximum availability period of one year for initial guarantees and five years for final guarantees.
4. (One-time) final guarantees of SAR 340 thousand maximum for the purpose of issuing guarantees for Jeddah Finance and Development Company, with a maximum availability period of five years. The guarantee issuance fees are the tariff approved by SAMA +0.6% per annum and a cash guarantee of 10%.
5. (One-time) miscellaneous guarantees, with a maximum facility limit of SAR 1.1 million to issue guarantees for the Company's business and to meet business requirements, as well as guarantees that do not conform to the Bank's forms. The guarantee issue fees are 1.0 per annum, with a maximum availability period of 3 years.
6. Joint Facilities (Facilities of Subsidiary Companies), with a maximum facility limit of SAR 15.0 million (combined for all agreements) as follows:
   (a) Funding documentary letters of credit by Murabaha to import materials for the Company's business and to fund imports under documentary letters of credit, incoming collection bills and procurements under open accounts, with a maximum of SAR 15.0 million (combined for all facilities) and a maximum availability period of 180 days from the deferred payment credits. The credit opening fees are the tariff approved by SAMA +0.6% per annum, and a profit margin SIBOR +1.75%.
   (b) Initial and final guarantees and the advance payment for the issuance of guarantees relating to the Company's business of SAR 15.0 million maximum (combined for all facilities). The guarantee issuance fees are the tariff approved by SAMA +0.6% per annum for initial guarantees, the tariff approved by SAMA +0.7% per annum for final guarantees, and the tariff approved by SAMA +0.8% per annum for advance payment guarantees. The maximum availability period of the guarantees is one year for initial guarantees and five years for final guarantees and advance payment guarantees.
7. Murabaha/Tawarruq Facilities for Metals, for a period not exceeding 270 days, to cover site management expenditures (100% of the payments due), of SAR 100.0 million maximum (combined for both agreements) and a profit margin of SIBOR +1.75% and 1.50% per annum.
8. (One-time) initial guarantees of SAR 100.0 million maximum, with a maximum availability period of one year to issue guarantees to Riyadh Municipality. Guarantee issuance fees for this agreement are the tariff approved by SAMA +0.6% per annum.

- **Saudi Investment Bank**

As at 10 August 2020G, the Company renewed a finance agreement with Saudi Investment Bank which expires on 31 May 2021G, for the following financial facilities:

1. Murabaha facilities of SAR 50.0 million, with a profit margin commission of SIBOR +1.50% per annum, for the purpose of securing rent payments to municipalities.
2. Guarantee Facilities (Bid Bond Letters and/or Performance Bond Letters, and/or Payment Guarantee Letters) of SAR 50.0 million to several municipalities within the Kingdom of Saudi Arabia, with the commission tariff approved by SAMA +0.5% per annum, for the purpose of funding rent of municipality sites.

The Company received a letter from the Saudi Investment Bank concerning the failure to observe the trading ratio index undertaking, and the undertaking of channelling sale proceeds in 2020G. The Bank stated that it considers this non-compliance temporary and tolerable and that the conditions will be reconsidered upon reviewing the credit limits at the end of 2021G.

- **Banque Saudi Fransi**

During the historical period, the Company used short-term financing from Banque Saudi Fransi to finance working capital (mainly site rental payments due to municipalities).

The agreement with Banque Saudi Fransi ended in FY 2018G, but the Company paid all balances due to Banque Saudi Fransi during FY 2019G.

As at 12 May 2020G, the Company renewed the following finance agreement with Banque Saudi Fransi for one year, which included the following:

1. A loan to finance the purchase and sale of commodities (Tawarruq) of SAR 100.0 million, with a profit margin of SIBOR +1.75% per annum, to finance the payment of rent related to the Ministry of Municipal and Rural Affairs and/or government agencies. This financing is subject to the provisions, terms and conditions of the agreement signed on 21 February 2016G.
2. Multi-Purpose Facility of SAR 60.0 million.

The Company received an email message from the Relationship Manager at Banque Saudi Fransi indicating that the Company has met all undertakings as at December 2020G.

- **Arab Bank**

As at 28 June 2020G, the Company renewed its agreement with Arab Bank to renew and increase the following facilities, which included the following:

1. Short-term Tawarruq financing for one year, of SAR 15.0 million, with a profit margin SIBOR +3.0% per annum, and treasury fees of SAR 200 per million Riyals. The purpose of the facility is to fund working capital and pay site rent.
2. Preliminary Guarantee Letters Limit for six months, of SAR 55.0 million, and the tariff approved by SAMA +0.25% per annum. The purpose of the funding is to issue preliminary guarantee letters to government and semi-government agencies.

The Company received an email message from the Relationship Manager at Arab Bank indicating that it violated both undertakings under the agreement. However, Arab Bank waived any penalties for the violations in 2020G and recommended that the Company honour such undertakings in the future to avoid any penalties that may arise.

- **Riyad Bank**

As at FY 23 August 2020G, the Company concluded a finance agreement with Riyad Bank for the following financial facilities:

1. A short-term Tawarruq financing limit of SAR 30.0 million maximum, for one year to finance site rentals. The agreement stipulates a profit margin of SIBOR +1.5%.
2. Liability limit pertaining to operations of SAR 30.0 million maximum. The agreement stipulates a tariff commission and an additional commission of 0.25% for the preliminary guarantee letters.

Riyad Bank did not impose any financial undertaking on Al Arabia Company in exchange for the aforesaid facilities.

- **Alawwal Bank**

As at 18 August 2019G, the Company renewed the following financing agreements with Alawwal Bank for a period of ten months to FY 2020G:

1. Murabaha/Tawarruq in minerals with a value of SAR 40.0 million to finance site rental payments due to municipalities. The agreement stipulates a profit margin commission of SIBOR +1.8% per annum.
2. Issuance of an initial guarantee of SAR 40.0 million to finance working capital requirements. The agreement stipulates a commission at the tariff approved by SAMA +0.5% per annum.
3. Issuance of a final guarantee of SAR 10.0 million, to finance working capital requirements. The agreement stipulates a commission at the tariff approved by SAMA +0.75% per annum.

In return for said facilities, Abdelellah Alkhereiji and Mohammed Alkhereiji submitted promissory notes of SAR 90.0 million.

There is also no finance balance due in the last month of FY 2019G.

After the merger of SABB Bank with Alawwal Bank on 16 June 2019G, all Alawwal Bank facilities were transferred to SABB Bank.

Due to Related Parties

Amounts due to Related Parties as at 31 December 2018G (SAR 1.0 million) represented an amount payable to High-End Hotels Company for hotel services it provided.

Table (6-41): Balances and Transactions with Related Parties for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December						
#	SAR'000	Nature of Transaction	Nature of Relationship	2018G	2019G	2020G
				Audited		
1	**Financing**					
	High-End Hotels Company	Cash transfers	Sister company	183,000	101,231	-
	SignWorld	Cash transfers	Sister company	87,139	4,240	-
	Saudi Media Company	Cash transfers	Sister company	-	3,284	-
	House of Skill Contracting Company	Cash transfers	Sister company	15,812	2,200	-
	Engineer Holding Group Company*	Cash transfers	Shareholder	2,227	200	-
	Al-Zad Forum Company	Cash transfers	Sister company	1,004	-	-
2	**Profits**					
	Al Miza Outdoor Advertising Co.**	Dividends ***	Sister company	58,500	45,565	-
	Engineer Holding Group Company	Dividends	Shareholder	-	-	24,000
3	**Expenses**					
	Saudi Media Company	Salaries, wages and other benefits	Sister company	-	12,299	-
	House of Skill Contracting Company****	Expenses	Sister company	2,000	4,360	-
	High-End Hotels Company	Expenses	Sister company	3,960	3,054	-
	Engineer Holding Group Company	Salaries, wages and other benefits	Shareholder	-	1,111	-
	SignWorld	Salaries, wages and other benefits	Sister company	6,369	1,052	-
	Advanced Digital Systems	Expenses and net transfer of assets and liabilities	Sister company	17,077	369	-
	SignWorld	Expenses	Sister company	-	-	-
	House of Skill Contracting Company/ Abdelellah Alkhereiji	Real estate rentals	Sister company	-	445	-
	Engineer Holding Group Company	Transferred end-of-service	Shareholder	-	-	1,405
	House of Skill Contracting Company	Prepayments for business	Sister company	-	-	36
5	**Capital expenditures**					
	SignWorld	Production of billboards and exhibitions	Sister company	0	0	5,292
	House of Skill Maintenance Company*	Maintenance work	Sister company	0	0	0
	SignWorld	Prepayments for business	Sister company	-	-	9,296
6	**Sales and collections**					
	MBC Group Holdings Ltd.	Sales	Shareholder	-	-	2,833
	Al-Zad Forum Company	Sales	Sister company	-	-	671
	SignWorld	Sales	Sister company	-	-	314
	High-End Hotels Company	Sales	Sister company	-	-	309
	High-End Restaurants Company	Sales	Sister company	-	-	76

#	SAR'000	Nature of Transaction	Nature of Relationship	2018G	2019G	2020G
	Fiscal Year Ended 31 December					
				Audited		
	Al-Zad Forum Company	Collections	Sister company	-	-	73
	Saudi Media Company	Sales	Sister company	-	-	61
	High-end Restaurants Company	Collections	Sister company	-	-	42
	High-End Hotels Company	Collections	Sister company	-	-	9
Total				**377,088**	**179,410**	**44,417**

Source: Company information

* The amount appeared in the financial statements of 2018G under Al-Hadaf Al-Mumayaz Holding Company, which is the former name of Engineer Holding Group.

** Shown as Al-Miza Company in the financial statements

*** Shown as sales and cash transfers in the financial statements of 2019G, and as sales commissions for Senior management in the financial statements of 2018G.

**** The balance in 2019G includes a total of SAR 2.7 million pertaining to House of Skill Maintenance Company, as the two accounts are merged under the House of Skill Contracting Company, which is the main Commercial Register, and House of Skill Maintenance Company is an internal accounting classification only. The balance is shown separately under House of Skill Maintenance Company in the financial statements of 2019G. The statements of 2019G were not amended because the amendment is not material.

1) During the historical period, the Company provided financing to a number of Related Parties, including the High-End Hotels Company, SignWorld, Saudi Media Company, House of Skill Contracting Company, Engineer Holding Group Company, and Al-Zad Forum Travel Company. The Company finances these sums without interest and without a formal agreement between the parties. Financing balances were settled through a capital reduction (in FY 2018G) and dividends distributed to shareholders. No financing transactions were recorded in FY 2020G.
2) The Company paid dividends to shareholders through its related company, Al Miza Outdoor Advertising Company which is located in Dubai. The increase in dividend payments in fiscal years 2018G and 2019G is due to the increase in revenue from UAE clients. In FY 2020G, dividends of SAR 24.0 million were paid through Engineer Holding Group Company (the parent company).
3) Saudi Media Company is one of Al Arabia's Related Parties and has a branch in Dubai, United Arab Emirates. During 2019G, the Company funded some expenses on behalf of Saudi Media Company, including employee salaries, insurance costs and other benefits related to employees.
4) Services provided by House of Skill Contracting Company (including House of Skill Maintenance Company) include installing concrete bases and electrical connections between the source and the billboard base, moving billboards from one site to another and other repair services. SignWorld then installs and operates the billboard. The increase in costs in fiscal years 2018G and 2019G is due to an increase in Al Arabia's operations.
5) In FY 2018G and 2019G, the Company incurred some costs for High-End Hotels Company, including staff residency renewal costs and insurance costs.
6) End-of-service indemnities of SAR 1.4 million were transferred to Engineer Holding Group Company in 2020G after the collections manager and a number of employees were transferred to Engineer Holding Group Company.
7) The balance during FY 2019G of SAR 1.1 million due from Engineer Holding Group Company, is related to salaries and health insurance costs for three employees under the Company's sponsorship who were partially hired by Engineer Holding Group Company and then transferred to Engineer Holding Group Company, including the financial manager, the internal auditor and the Zakat accountant.
8) During FY 2018G and 2019G, SignWorld hired employees under the sponsorship of the Company, which paid their salaries and other employee benefits. The decrease in expenses is due to the decrease in the number of employees from 125 in FY 2017G to 23 in FY 2019G. All employees were transferred in January 2020G and their salaries are no longer paid by the Company.
9) Advanced Digital Systems was established to represent the franchise with Daktronics, the USA-based manufacturer of digital LED screens, and establish a factory for production of LED screens in the Kingdom of Saudi Arabia. In FY 2018G, the Company transferred two buildings under construction to Advanced Digital Systems.
10) During the historical period, SignWorld produced billboards for Al Arabia Company.
11) Such sales consist of printing sales pertaining to printing business cards, cards, posters, etc., and outdoor advertising campaigns for two restaurants. There were no sales transactions of this sort in 2018G and 2019G since all such sales were performed through Engineer Holding Group Company.

There is no analysis of the lives of amounts with Related Parties given that the nature of transactions with Related Parties are mainly related to financing and paying the Company's expenses.

Table (6-42): Trade Receivables - Related Parties, for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
MBC Group Holdings Ltd.	-	-	2,833	-	100.0%	N/A
Al-Zad Forum Company	-	-	598	-	100.0%	N/A
SignWorld	-	-	314	-	100.0%	N/A
High-End Hotels Company	-	-	300	-	100.0%	N/A
Saudi Media Company	-	-	61	-	100.0%	N/A
High-end Restaurants Company	-	-	43	-	100.0%	N/A
House of Skill Contracting Company	-	-	10	-	100.0%	N/A
Total trade receivables - Related Parties	**-**	**-**	**4,159**	**-**	**100.0%**	**N/A**

Source: Audited financial statements

As at 2020G, the balance of trade receivables from Related Parties was related to advertising and printing services provided by the Company. There were no sales transactions of this sort in 2018G and 2019G since all such sales were performed through Engineer Holding Group Company.

Table (6-43): Prepaid to Suppliers - Related Parties, for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
SignWorld	-	-	9,296	-	100.0%	N/A
House of Skill Contracting Company	-	-	29	-	100.0%	N/A
Total prepaid to suppliers - Related Parties	**-**	**-**	**9,325**	**-**	**100.0%**	**N/A**

Source: Audited financial statements

During 2020G, the Company made a prepayment of SAR 9.3 million to SignWorld for billboards for different ongoing projects within CWIP to replace static billboards with digital ones and for new billboard projects.

Suppliers

Table (6-44): Suppliers for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Local suppliers	621	1,142	3,328	83.9%	191.4%	131.5%
International suppliers	1,406	1,524	3,911	8.4%	156.6%	66.8%
Total suppliers	**2,027**	**2,667**	**7,238**	**31.6%**	**171.4%**	**89.0%**

Source: Audited financial statements

The suppliers balance represents the sums payable for the supply of raw materials (ink and paper), spare parts, and digital LED.

The suppliers balance increased from SAR 2.0 million as at 31 December 2018G to SAR 2.7 million as at 31 December 2019G, driven by the increase in payments due to Dactronics for LED screens (SAR 1.5 million). This increase was offset by a settlement of SAR 0.8 million payable to Giffin Graphics for printing materials.

The suppliers balance increased to SAR 7.2 million as at 31 December 2020G, driven by the increase in the Giffin Graphics balance to SAR 1.3 million, the Dactronics for LED screens balance to SAR 2.2 million, Al-Jazirah Advertisement balance to SAR 1.7 million, the real estate developers balance to SAR 1.1 million, and other balances (SAR 0.9 million)

Accrued expenses and other accounts payable

Table (6-45): Accrued Expenses and Other Accounts Payable for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Discounts payable to clients	26,056	34,797	31,221	33.5%	(10.3%)	9.5%
Rentals payable under leases with municipalities	106,030	30,735	44,134	(71.0%)	43.6%	(35.5%)
Commissions payable	6,106	19,847	2,212	225.0%	(88.9%)	(39.8%)
VAT	2,738	2,212	9,936	(19.2%)	349.2%	90.5%
Revenues received in advance	2,334	2,308	1,740	(1.1%)	(24.6%)	(13.7%)
Prepayments from clients	136	1,939	1,271	1,325.7%	(34.5%)	205.7%
Other accounts payable	1,758	15,291	7,386	769.8%	(51.7%)	105.0%
Other	287	132	313	(54.0%)	137.1%	4.4%
Total accrued expenses and other accounts payable	**145,446**	**107,262**	**98,213**	**(26.3%)**	**(8.4%)**	**(17.8%)**

Source: Audited financial statements

- **Discounts payable to clients**

These discounts payable relate to quantitative discounts at the end of the year. When the clients achieve the targeted sales, the Company grants discounts to its clients. Discounts are recorded on a monthly basis by Management at an average of 8% of total revenues. At the end of the year (or sometimes during the year) when the client attains the target sales agreed upon with the Company, the client obtains the quantitative discount.

Discounts payable to clients rose as a result of the increase in revenues in FY 2019G compared to FY 2018G, and the increase in the discount rate to 8.2%.

Discounts payable to clients dropped by 10.3% in FY 2020G driven by the decrease in revenues by 36.8%.

- **Rents payable under leases with municipalities**

Table (6-46): Rents Payable Under Leases with Municipalities for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Riyadh	71,525	16,601	29,436	(76.8%)	77.3%	(35.8%)
Dammam and Khobar	4,022	4,022	10,312	-	156.4%	60.1%
Southern Province	1,271	699	1,844	(45.0%)	163.8%	20.5%
Eastern Province (except Dammam and Khobar)	848	750	1,454	(11.6%)	93.9%	30.9%
Mecca	2,829	6,329	876	123.7%	(86.2%)	(44.4%)
Qassim	1,567	481	213	(69.3%)	(55.7%)	(63.1%)
Jeddah	23,085	1,377	-	(94.0%)	(100.0%)	(100.0%)
Madinah	36	280	-	677.8%	(100.0%)	(100.0%)
Northern Province	848	196	-	(76.9%)	(100.0%)	(100.0%)
Total rents payable under leases with municipalities	**106,030**	**30,735**	**44,134**	**(71.0%)**	**43.6%**	**(35.5%)**

Source: Company information

As at 31 December 2019G, the balance significantly decreased, mainly due to a decrease in rent payable in Riyadh to SAR 16.6 million and a decrease in rentals payable in Jeddah to SAR 1.4 million.

As at 31 December 2020G, rent payable rose to SAR 44.1 million due to invoicing delays by the municipalities since the start of the lockdown arising from the COVID-19 pandemic, which increased the rent payable in Riyadh, Dammam, the Eastern Province, the Western Province, Mecca, and Qassim.

Riyadh

Rent payable as at 31 December 2018G mainly include two agreements with Riyadh municipality to lease sites for 400 Megacom billboards for SAR 42.6 million, and 800 Mupi billboards for SAR 22.7 million, as the agreements have been unsigned for 301 days and 353 days.

As at 31 December 2019G, rent payable dropped because the Company paid the rent in 2019G.

Rent payable increased as at 31 December 2020G due to the delay in rent payment as a result of not receiving invoices from the municipalities due to the COVID-19 pandemic. Rent payable was also paid during 2021G.

Dammam

As in the Riyadh region, rent payable increased as at 31 December 2020G due to the delay in rent payment as a result of not receiving invoices from the municipalities due to the COVID-19 pandemic. As at 31 March 2021G, an invoice of SAR 362 thousand was received and paid.

Southern and Eastern Province

As in the Riyadh region, rent payable increased as at 31 December 2020G due to the delay in rent payment as a result of not receiving invoices from the municipalities due to the COVID-19 pandemic. As at 31 March 2021G, an invoice of SAR 900 thousand was received and paid.

Mecca

As at 31 December 2018G and 2019G, Mecca Municipality has not issued rent invoices for some leases; five leases in 2018G and six leases in 2019G. Accordingly, rent payable increased as at 31 December 2018G and 31 December 2019G. As at 31 December 2020G, rent dropped significantly compared to 2019G, as all rent payable was repaid in 2021G.

Jeddah

The rent payable balance as at 31 December 2018G is due to lease agreements which stipulate payment on a quarterly basis. The agreement was amended in 2019G and payment is now on an annual basis, accordingly, rent payable dropped in 2019G. The rent payable balance was zero as at December 2020G.

- **Commissions payable**

  Accrued commissions increased from SAR 6.1 million as at 31 December 2018G to SAR 19.8 million as at 31 December 2019G. This increase was due to the increase in commission percentage from 1.0% in FY 2018G to 3.0% in FY 2019G.

  During FY 2020G, accrued commissions decreased by 88.9% to SAR 2.2 million, due to the general decrease in revenues, owing to the COVID-10 pandemic and Management's decision to suspend the selling and distribution commissions as a result of the COVID-19 pandemic. This was offset by payments of SAR 17.6 million in FY 2020G related to the final commission balance as at December 2019G.

  Payment of commissions is dependent on achieving two targets: sales and collections. Management confirmed that the 2019G targets were exceeded, therefore, the payments increased in 2020G.

- **VAT**

  VAT was introduced in January 2018G, and it was SAR 2.7 million as at 31 December 2018G, SAR 2.2 million as at 31 December 2019G, and SAR 9.9 million as at December 2020G. The increase in VAT payable in 2020G is driven by the increase in the VAT percentage from 5% to 15%, which entered into effect in July 2020G.

- **Revenues received in advance**

  During the historical period, the Company received a prepayment related to one-year advertising campaigns with a number of clients. These arrangements included advertising at the Super Mega Tower in Jeddah and a super structure. The Company issues invoices to its clients at the beginning of the year. Changes in the revenues received in advance from FY 2018G to 2020G were driven by the different timing of the campaigns.

- **Prepayments from clients**

  Prepayments from clients are recognised mainly when quantitative discounts granted to a client exceed the balance due from such client. As at 31 December 2019G, prepayments from clients mainly related to printing services provided to a local bank. The decreased balance is mainly associated with the settlement of a balance with a local bank in the amount of SAR 1.8 million. The decrease was offset by an increase in the balance of two advertising agencies by SAR 0.7 million and SAR 0.4 million as at 31 December 2020G.

- **Receivables and other liabilities**

  Receivables and other liabilities mainly consist of accounts payable related to Management airline tickets and car fuel, customs clearance, health insurance, etc. As at 31 December 2019G, the increase in the balance was due to accounts payable related to (1) the lease of billboards in Bahrain, Oman and the United Arab Emirates; (2) the purchase of a printing machine; and (3) the design of one billboard category and accounts payable for rent at a commercial centre.

  As at December 2020G, other accounts payable dropped by SAR 7.7 million due to the decrease in accounts payable from an agency by SAR 4.1 million, the decrease in the accounts payable of a design company by SAR 1.1 million, and the decrease in the accounts payable of a construction company by SAR 1.3 million.

Zakat provision

Table (6-47): Zakat Provision for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Balance as at 1 January	17,698	9,164	8,774	(48.2%)	(4.3%)	(29.6%)
Charge for the year	9,164	8,746	5,301	(4.6%)	(39.4%)	(23.9%)
Payments during the year	(17,698)	(9,136)	(7,213)	(48.4%)	(21.0%)	(36.2%)
Balance as at 31 December	**9,164**	**8,774**	**6,863**	**(4.3%)**	**(21.8%)**	**(13.5%)**

Source: Audited financial statements

The Zakat provision decreased as at 31 December 2019G due to the payment of SAR 9.1 million for FY 2019G. This decrease was offset by the recognition of SAR 8.7 million for FY 2019G. The Zakat provision dropped as at 31 December 2020G due to the payment of SAR 7.2 million during FY 2020G. This was offset by the recognition of additions of SAR 5.3 million for FY 2020G.

6-7-2-4 Non-current liabilities

Table (6-48): Employee Defined Benefit Liabilities for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Balance as at 1 January	10,343	12,139	13,412	17.40%	10.5%	13.9%
Expense charged for the year	1,377	780	2,373	(43.4%)	204.2%	31.3%
Interest expenses	358	522	293	45.8%	(43.9%)	(9.5%)
Re-measurement charged to OCI	687	685	(935)	(0.3%)	(236.5%)	N/A
Paid	(625)	(714)	(1,059)	14.20%	48.3%	30.2%
Transferred to a Related Party	-	-	(1,405)	-	-	100.0%
Balance as of 31 December	**12,139**	**13,412**	**12,680**	**10.50%**	**(5.5%)**	**2.2%**

Source: Audited financial statements

Companies operating in the Kingdom of Saudi Arabia are required to recognise an end-of-service benefit in accordance with the Saudi Labour Law. This provision is calculated based on actuarial assumptions as required under IFRS.

This provision increased to SAR 13.4 million as at 31 December 2019G. This was mainly due to the increase in the number of employees according to the actuarial report, from 359 employees as at 31 December 2018G to 386 employees as at 31 December 2019G. As at December 2020G, the balance decreased slightly due to payments of SAR 1.1 million and to profit arising from changes to actuarial assumptions (inflation rate and average salary increase ratio), and the transfer of liabilities to a Related Party, with regard to transferring the liabilities of some employees (the Collection Manager and the Vice-CEO of the Sales Department) to Engineer Holding Group Company in the amount of SAR 1.4 million. Additionally, this decrease was offset by an increase in existing service costs (SAR 2.4 million) and interest expenses (SAR 293 thousand).

Non-Current Lease Liabilities

Table (6-49): Non-Current Lease Liabilities for the Fiscal Year Ended 31 December 2018G and the Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

	Fiscal Year Ended 31 December		
SAR'000	2018G	2019G	2020G
	Audited		
Balance on Initial Application	-	1,113,286	493,199
Additions During the Year	-	36,203	264,368
Adjustments	-	-	(3,917)
Total	-	1,149,489	753,650
Less			
Close of Prepaid Expenses Upon Initial Application	-	(255,455)	(39,774)
Payments During the Year	-	(417,558)	(162,791)
Finance Expenses		23,471	(14,171)
Amortisation of Accrued and Other Expenses	-	(6,748)	(33,592)
Balance at the End of the Year	-	493,199	531,664
Current Portion		176,965	215,409
Non-Current Portion	-	316,233	316,255
Total	**-**	**493,198**	**531,664**

Source: Audited financial statements

Upon application of IFRS 16, the Company recognised lease liabilities related to lease agreements that had been previously classified under "operating leases" in accordance with the principles of IAS 16 "Leases". These liabilities were measured at the present value of the remaining lease payments discounted based on the additional borrowing rate of the lessee as at 1 January 2019G. As at 1 January 2019G, the weighted average additional borrowing rate of the lessee applied to the lease liabilities was 3.6%.

For more information on significant accounting policies, refer to Section 6.5.2 ("**Summary of Significant Accounting Policies**") in this section of the Prospectus. The Company recognised interest on lease liabilities of SAR 23.5 million in FY 2019G, which were offset by payments of SAR 417.6 million related to these liabilities during fiscal year 2019G. As a result, the total lease liabilities became SAR 493.2 million divided into current lease liabilities of SAR 177.0 million and non-current lease liabilities of SAR 316.2 million as at 31 December 2019G.

Lease liabilities rose by SAR 38.5 million in 2020G as a result of additions of SAR 264.4 million and the interest due of SAR 14.2 million. This was offset by the payment of lease liabilities of SAR 162.8 million, the deduction of prepaid rent of SAR 40 million, depreciation of accrued expenses and other expenses of SAR 34 million, and adjustments of SAR 3.9 million. Lease liabilities are divided into current lease liabilities of SAR 215.4 and non-current lease liabilities of SAR 316.3 million as at 31 December 2020G.

6-7-2-5 Equity

Table (6-50): Equity for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Share capital	250,000	500,000	500,000	100.0%	0.0%	41.4%
Statutory reserve	75,000	22,466	25,080	(70.0%)	11.6%	(42.2%)
Retained earnings	114,321	1,815	1,337	(98.4%)	(26.3%)	(89.2%)
Total equity	**439,321**	**524,281**	**526,417**	**19.3%**	**0.4%**	**9.5%**

Source: Audited financial statements

Share Capital

As at 31 December 2019G, the Company's capital was SAR 500 million divided into 50 million shares with a value of SAR 10 per share. Following is a description of the shareholding percentages of each shareholder as at 31 December 2019G:

Table (6-51): Share Capital

Fiscal Period Ended 31 December 2020G			
Shareholder	%	No. of Shares	Total (SAR)
Engineer Holding Group Company	70%	35,000,000	350,000,000
Abdelellah Abdulrahman Alkhereiji	25%	12,500,000	125,000,000
MBC Group Holdings Ltd.	5%	2,500,000	25,000,000
Total	**100%**	**50,000,000**	**500,000,000**

Source: Audited financial statements

In November 2018G, the Board of Directors decided to reduce the Company's capital by SAR 300 million to decrease the excess capital as it was in excess of the Company's needs.

In FY 2019G, due to the planned expansions of the Company's business, including the Diplomatic Quarter Project, and the upgrade of the Company's billboards to digital billboards, the Company decided to increase the capital to SAR 500 million through the statutory reserve and retained earnings. The number of issued shares increased from 25 million shares in FY 2018G to 50 million shares in FY 2019G. There were no changes to the capital in 2020G.

In December 2019G, Muhammad Abdelellah Alkhereiji, Abdulrahman Abdelellah Alkhereiji, Amal Abdullah Aljaawaini, Fatima Abdelellah Alkhereiji, Adwaa Abdelellah Alkhereiji, Anoud Abdelellah Alkhereiji and Yara Abdelellah Alkhereiji transferred all their shares in the Company to Engineer Holding Group Company (which is wholly owned by them and Abdelellah Abdulrahman Alkhereiji). Abdelellah Abdul Rahman Alkhereiji transferred 26 million shares (representing 52% of the Company's capital) to the same company (i.e., Engineer Holding Group Company).

Statutory Reserve

Table (6-52): Statutory Reserve for the Fiscal Year Ended 31 December 2018G and the Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	
Balance as at 1 January 2018G	**65,949**
Capital Decrease	-
Transfer to the Statutory Reserve	9,051
Balance as at 31 December 2018G	**75,000**
Capital Decrease	(75,000)
Transfer to the Statutory Reserve	22,466

SAR'000	
Balance as at 31 December 2019G	**22,466**
Capital Decrease	-
Transfer to the Statutory Reserve	2,614
Balance as at 31 December 2020G	**25,080**

Source: Audited financial statements

In line with the requirements of the Saudi Companies Law, the Company forms a statutory reserve of 10% of the net profit until this reserve reaches 30% of the capital. This reserve is not available for dividend distribution. The statutory reserve was used in FY 2019G to increase the Company's capital. SAR 2.6 million was transferred to the statutory reserve from the profits of 2020G.

Retained Earnings

Table (6-53): Retained Earnings for the Fiscal Year Ended 31 December 2018G and the Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	
Balance as at 1 January 2018G	**30,983**
Capital Decrease	-
Net Profit	133,686
Other Comprehensive Loss	(687)
Transfer to the Statutory Reserve	(9,051)
Dividends	(40,610)
Balance as at 31 December 2018G	**114,321**
Capital Decrease	(175,000)
Net Profit	225,346
Other Comprehensive Loss	(685)
Transfer to the Statutory Reserve	(22,466)
Dividends	(139,701)
Balance as at 31 December 2019G	**1,815**
Capital Decrease	
Net Profit	25,201
Other Comprehensive Loss	935
Transfer to the Statutory Reserve	2,614
Dividends	(24,000)
Balance as at 31 December 2020G	**1,337**

Source: Audited financial statements

The increase in retained earnings as at 31 December 2018G was primarily driven by a total comprehensive income of SAR 133.0 million for FY 2018G. This increase was offset by the transfer of SAR 9.1 million to the statutory reserve and dividends paid of SAR 40.6 million.

Such decrease in retained earnings as at 31 December 2019G was due to: (1) the allocation of SAR 175.0 million from retained earnings to the capital; (2) the payment of SAR 139.7 million as dividends, and (3) the allocation of SAR 22.5 million to the statutory reserve. This decrease was offset by a total comprehensive income of SAR 224.7 million for FY 2019G.

The decrease in retained earnings as at 31 December 2020G is due to the conversion of the statutory reserve of SAR 2.6 million and dividends distributed during the year of SAR 24.0 million. This was offset by a net profit of SAR 25.2 million in 2020G, in addition to other comprehensive income of SAR 0.9 million through total other comprehensive income during the same year.

6-7-2-6 Contingent liabilities and expenses

Table (6-54): Contingent Liabilities and Expenses for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Letters of guarantee	125,162	137,262	155,708	9.7%	13.4%	11.5%
Letters of credit	8,381	14,871	6,297	77.4%	(57.7%)	(13.3%)
Total	**133,543**	**152,133**	**162,005**	**13.9%**	**6.5%**	**10.1%**

Source: Audited financial statements

- **Letters of Guarantee**

Letters of guarantee are required for participation in government tenders related to leasing billboard sites in accordance with the Municipal Real Estate Disposal Regulations and the tender requirements. The Company provides a bank guarantee amounting to 100% of the first year's rent when submitting a bid. The value of bank guarantees issued for this purpose in FY 2019G was SAR 137.3 million in exchange for cash insurance (cover) of SAR 2.3 million reserved with banks. Letters of guarantee increased in 2020G to SAR 155.7 million in exchange for cash insurance (cover) of SAR 1.7 million as at 31 December 2020G.

- **Letters of Credit**

Letters of credit are required to import billboards. The Company deals with international companies specialised in manufacturing billboards by issuing letters of credit through local banks under the terms of the contracts with those companies. The value of letters of credit issued for this purpose on 31 December 2020G was SAR 6.3 million. There is no cash insurance (cover) reserved with banks for these letters of credit.

6.7.3 Statement of Cash Flows

Table (6-55): Summary of the Cash Flow Statement for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Net cash generated from operating activities	352,015	526,706	348,655	49.6%	(33.8%)	(0.5%)
Net cash used in investing activities	(47,391)	(43,862)	(56,753)	(7.4%)	29.4%	9.4%
Net cash used in financing activities	(330,824)	(465,278)	(301,405)	40.6%	(35.2%)	(4.5%)
Net change in cash on hand and at banks	(26,200)	17,566	(9,503)	(167.0%)	(154.1%)	(39.8%)
Cash on hand and at banks as at1 January	44,722	18,523	36,089	(58.6%)	94.8%	(10.2%)
Cash on hand and in banks as at 31 December	18,523	36,089	26,585	94.8%	(26.3%)	19.8%

Source: Audited financial statements

6-7-3-1 Cash Flow from Operating Activities

Table (6-56): Cash Flow from Operating Activities

SAR'000	Fiscal Year Ended 31 December					
	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Cash flow from operating activities						
Net profit before Zakat	142,850	234,092	30,502	63.9%	(87.0%)	(53.8%)
Adjustments:						
Depreciation	23,227	24,365	25,698	4.9%	5.5%	5.2%
Inventory depreciation	-	554	-	100.0%	(100.0%)	0.0%
Impairment of trade receivables	-	3,483	8,000	100.0%	129.7%	100.0%
Right-of-use depreciation	-	374,415	340,997	100.0%	(8.9%)	100.0%
Loss on disposal of property and equipment	625	753	613	20.5%	(18.6%)	(1.0%)
Employee defined benefit obligations	1,735	1,302	2,373	(25.0%)	82.3%	16.9%
Finance expenses	4,649	31,573	21,252	579.1%	(32.7%)	113.8%
Changes in operating assets and liabilities:						
Trade receivables	(23,474)	(73,292)	14,378	212.2%	(119.6%)	N/A
Inventory	(322)	(562)	(2,637)	74.5%	369.2%	186.2%
Due from/to Related Parties	183,642	(1,583)	3,887	(100.9%)	(345.5%)	(85.5%)
Prepaid expenses and other accounts receivable	107,136	(14,251)	(50,371)	(113.3%)	253.5%	N/A
Suppliers	775	640	4,572	(17.4%)	614.4%	142.9%
Accrued expenses and other accounts payable	(70,506)	(44,932)	(42,336)	(36.3%)	(5.8%)	(22.5%)
Cash flow from operating activities	370,339	536,556	356,926	44.9%	(33.5%)	(1.8%)
Employee benefit obligations paid	(625)	(714)	(1,059)	14.2%	48.3%	30.2%
Zakat paid	(17,698)	(9,136)	(7,213)	(48.4%)	(21.0%)	(36.2%)
Net cash generated from operating activities	**352,015**	**526,706**	**348,655**	**49.6%**	**(33.8%)**	**(0.5%)**

Source: Audited financial statements

In FY 2018G, the Company recognised net available cash from operating activities, due to an increase in net profits to SAR 133.7 million, adjusted for depreciation of SAR 23.2 million and a change in working capital of SAR 197.3 million.

In FY 2019G, net available cash from operating activities consisted of net profits of SAR 225.4 million, adjusted for depreciation of SAR 24.4 million, right-of-use depreciation of SAR 374.4 million, finance cost of SAR 31.6 million (divided into finance costs related to lease liabilities of SAR 23.5 million, finance costs related to borrowing of SAR 7.6 million and finance costs of SAR 522 thousand resulting from remeasurement of employee benefit obligations), and a change in working capital of SAR 123.5 million. Cash from operating activities increased in 2019G as a result of the material increase in profit before Zakat, depreciation of right-of-use assets of SAR 374.4 million in total, and the increase in the cost of financing for lease liabilities of SAR 23.5 million. This increase was offset by a decrease arising from the decrease in the net change in operating activities of SAR 123.5 million.

In FY 2020G, net cash generated from operating activities consisted of net profit before Zakat of SAR 30.5 million adjusted with depreciation of SAR 25.7 million, right-of-use depreciation of SAR 341.0 million, cost of financing of SAR 21.3 million, and other adjustments of SAR 11.0 million. The decrease in changes affected the operating assets and liabilities of SAR 72.5 million, and payments of SAR 1.1 million and SAR 7.2 million for employee defined benefit liabilities and Zakat respectively. Cash from operating activities decreased in 2020G as a result of the decrease in profits before Zakat and the decrease in accounts receivable, driven by the decrease in revenues during 2020G.

6-7-3-2 Cash flow from investing activities

Table (6-57): Cash Flow from Investing Activities for the Financial Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended 31 December						
SAR'000	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Cash flow from investing activities						
Additions to property and equipment	(50,406)	(44,531)	(57,987)	(11.7%)	30.2%	7.3%
Proceeds from the sale of property and equipment	3,015	669	1,235	(77.8%)	84.6%	(36.0%)
Net cash used in investing activities	**(47,391)**	**(43,862)**	**(56,753)**	**(7.4%)**	**29.4%**	**9.4%**

Source: Audited financial statements

During the historical period, investing activities mainly represented the purchase of billboards and some other assets.

Net cash used in investing activities decreased relatively in FY 2018G and FY 2019G due to additions pertaining to property and equipment (the majority of which were related to billboards) of SAR 50.4 million and SAR 44.5 million respectively. During FY 2020G, investing activities were additions to projects under development of SAR 52.9 million and other assets of SAR 5.1 million, offset by proceeds from the sale of property and equipment of SAR 1.2 million. Net cash used in investing activities increased in 2020G as a result of the increase in additions to property and equipment, compared to 2019G. Additionally, compared to 2019G, proceeds from the sale of property and equipment increased by 84.6% in 2020G.

6-7-3-3 Cash flow from financing activities

Table (6-58): Cash Flow from Financing Activities for the Fiscal Year Ended 31 December 2018G and the Company's Consolidated Financial Statements for the Fiscal Years Ended 31 December 2019G and 2020G

Fiscal Year Ended December						
SAR'000	2018G	2019G	2020G	Increase/(decrease)		CAGR
	Audited			2018G–2019G	2019G–2020G	2018G–2020G
Cash flow from financing activities						
Short-term loans	14,435	100,083	(107,672)	593.3%	(207.6%)	N/A
Lease liabilities	-	(394,087)	(148,774)	100.0%	(62.2%)	100.0%
Finance expenses	(4,649)	(31,573)	(20,959)	579.1%	(33.6%)	112.3%
Capital decrease	(300,000)	-	-	(100.0%)	0.0%	(100.0%)
Dividends paid	(40,610)	(139,701)	(24,000)	244.0%	(82.8%)	(23.1%)
Net cash used in financing activities	**(330,824)**	**(465,278)**	**(301,405)**	**40.6%**	**(35.2%)**	**(4.5%)**

Source: Audited financial statements

Cash flow used in financing activities in FY 2020G includes dividends paid, net changes in short-term loans, changes in capital and lease liability expenses.

Short-term loans increased from SAR 139 million in FY 2018G to SAR 239 million in FY 2019G, due to higher financing required to meet rental payments.

On 8 November 2018G, the Board of Directors decided to reduce the Company's capital by SAR 300 million. In FY 2019G, the capital was further increased by SAR 250 million through the capitalisation of the statutory reserve and retained earnings. Net cash used in financing activities rose as a result of dividends of SAR 140 million, and an increase in lease liabilities in FY 2019G as a result of the application of IFRS 16, and they amounted to SAR 394 million in 2019G. Additionally, this increase was offset by short-term loan withdrawals in the amount of SAR 100.1 million.

Cash flow used in financing activities included lease liability payments of SAR 148.8 million, dividends of SAR 24.0 million, finance expenses of SAR 21.0 million, and a decrease in short-term loans by SAR 107.7 million after they were repaid by the Company during FY 2020G. Net cash used in financing activities dropped as a result of the decrease in dividends paid and lease liability payments in 2020G compared to 2019G. Additionally, the Company repaid loans of SAR 107.0 million.

6.8 Purchase option of MBC Group Holdings Ltd.

MBC Group Holdings Ltd., located in Dubai, UAE, P.O Box 72627, has the right to acquire from Engineer Holding Group Company shares equivalent to fifteen percent (15%) of the total shares issued at the relevant time (the "Purchase Option"). MBC Group Holdings Ltd. may exercise the Purchase Option one time only. The Purchase Option shall be exercisable from the date of the CMA's approval of the listing or on 01 January 2021G, and the Purchase Option shall be effective for three (3) years (excluding the Lock-up Period). For more information, please refer to Section 18.7 ("Lock-up Period"). After 1 January 2024 (plus the Lock-up Period) the Purchase Option of MBC Group Holdings Ltd. will expire.

7- Dividend Distribution Policy

Under Article 110 of the Companies Law, Shareholders are vested with all rights attached to the shares, which include in particular the right to receive a share in the dividends declared for distribution. The Board of Directors shall recommend declaring any dividends prior to the approval of such by the Shareholders in the General Assembly. The Company is under no obligation to declare dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's Zakat position and legal and regulatory considerations. The shares entitle their holders to the right to receive any dividends that the Company declares from the date of this Prospectus and for the subsequent fiscal years. Although the Company intends to distribute annual dividends to its Shareholders, there are no guarantees of actual dividends. Furthermore, there is no guarantee of the amounts that shall be paid in any year.

Dividend distribution shall be subject to the restrictions set out in the Company's Bylaws. Moreover, under some of the Company's facility agreements (including those that have expired and are in the process of being renewed), the Company is required to keep a portion of its net profits and/or revenues (between 25% and 50%) in the Company's business, which may limit the Company's ability to distribute profits to its shareholders. The Company is currently in discussion with the relevant banks to remove or waive these requirements. However, there can be no guarantee that the Company will be able to succeed in such discussion whether currently or before the Offering's completion. None of the relevant banks have waived profit/revenue retention requirements as at the date of this Prospectus.

Dividends will be distributed in Saudi Riyals.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

a) 10% of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by the Ordinary Assembly when the statutory reserve amounts to 30% of the Company's paid share capital.
b) The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose of liquidating old inventory.
c) The Ordinary General Assembly may resolve to set aside other reserves, to the extent that doing so serves the interest of the Company or ensures the distribution of as stable a dividend as possible to the Shareholders. Said Assembly may also deduct amounts from the net profits to establish social institutions for the Company's employees or to assist existing institutions.
d) From the remainder, a portion representing 5% of the Company's paid-up share capital shall be distributed among the Shareholders.
e) Subject to the provisions set forth in Article 20 of the Company's Bylaws and Article 76 of the Companies Law, 5% shall be set aside to remunerate the Board of Directors, provided that such remuneration is proportionate to the number of sessions attended by each director. The balance shall be distributed among the Shareholders as an additional share of dividends.

Note that the dividend distribution policy may change from time to time.

Below is a summary of the dividends declared and distributed by the Company for the years ended 31 December 2018G 2019G and 2020G, respectively.

Table (7-1): Dividends Declared and Distributed by the Company for the Years Ended 31 December 2018G, 2019G and 2020G

SAR'000	31 December 2018G	31 December 2019G	31 December2020G
Dividends Declared	40,610	139,701	24,000
Dividends Paid During the Year	40,610	139,701	24,000
Net Income	133,686	225,346	25,201
Ratio of Declared Dividends to Net Income of the Company	30%	62%	95%

Source: Company information

8- Use of Offering Proceeds

The total Offering Proceeds are estimated at SAR One Billion Five Hundred Million (SAR 1,500,000,000) , of which approximately SAR Thirty Five Million (SAR 35,000,000) will be applied to settle all expenses related to the Offering, which include the fees of the Financial Advisor, Lead Manager, Underwriters, the Company's Legal Advisor, Accountants, Receiving Agents, and Market Consultant, as well as marketing, printing, distribution and translation fees, and other fees and expenses related to the Offering. The Company will not receive any part of the net Offering Proceeds.

The net Offering Proceeds amounting to approximately SAR One Billion Four Hundred Sixty-Five Million (1,465,000,000) will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage of ownership of the Offer Shares being sold in the Offering. The Company will not receive any part of the Net Offering Proceeds. The Selling Shareholders shall bear all the fees, expenses and costs related to the Offering.

9- Capitalisation and Indebtedness of the Company

Prior to the Offering, the Current Shareholders owned the entire share capital of the Company and, following the completion of the Offering, the Current Shareholders, collectively, will own 70% of the share capital of the Company.

The table below sets out the capitalisation of the Company as derived from the audited financial statements for the fiscal years ended 31 December 2018G, 2019G and 2020G. The following table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section 20 ("**Financial Statements and Auditor's Report**").

Table (9-1): Capitalisation and Indebtedness of the Company

SAR'000	2018G	2019G	2020
	Audited		
Short-term Loans	139,385	239,467	131,795
Lease Liabilities	-	316,233	316,255
Lease Liabilities – Current Portion	-	176,965	215,409
Total Loans	139,385	732,665	663,459
Share Capital	250,,000	500,000	500,000
Statutory Reserve	75,000	22,466	25,080
Accumulated Retained Earnings (Loss)	114,321	1,815	1,337
Total Equity	439,321	524,281	526,417
Total Capitalisation (Total Loans + Total Equity)	578,706	1,256,946	1,189,876
Total Loans*/Total Capitalisation	24%	58%	56%

The consolidated financial information for the fiscal years ended 31 December 2018G and 2019G has been used in the comparative financial information presented in the Company's financial statements for the fiscal year ended 31 December 2019G and the consolidated financial statements for the fiscal year ended 31 December 2020G.

The Directors confirm the following:

1. Except as disclosed in Section 12.7.3 ("**Shareholders Agreement**"), none of the shares of the Company or its subsidiary are under option as at the date of this Prospectus. The share capital of the Company's subsidiary is not subject to any option as at the date of this Prospectus.
2. Neither the Company nor its subsidiary have any debt instruments as at the date of this Prospectus.
3. The Company's balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months after the date of this Prospectus.

10- Expert Statements

As at the date hereof, the Advisors listed on pages F and G have given and not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed thereto in this Prospectus. Neither they nor any of their employees (forming part of the team serving the Company) or relatives thereof have any shareholding or interest of any kind in the Company or any of its subsidiaries as at the date of this Prospectus which would impair their independence.

11- Declarations

The Directors declare that:

1. The Listing does not constitute a breach of the relevant laws and regulations in the Kingdom of Saudi Arabia.
2. The Listing does not constitute a breach of any contract/agreement entered into by the Company.
3. All material legal issues concerning the Company have been disclosed in the Prospectus.
4. Except as mentioned in Section 12.13 ("**Litigation**"), the Issuer and its subsidiaries are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its subsidiary or their financial position.
5. The Issuer's Directors are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business or financial position of the Company or its subsidiary.
6. Except as described in Section 5.10 ("**Conflict of Interest**"), Section 12-9 ("**Material Contracts with Related Parties**"), Section 5.2 ("**Board of Directors**") and Section 5.8 ("**Remuneration of Directors**"), none of the Directors, Executive Management officials, Secretary, or any of their relatives or affiliates have any shares or interests of any kind in the Company or its subsidiary which would impair the business of the Company or its subsidiary. Moreover, neither the Company nor its subsidiary may provide a cash loan of any kind to the Directors or guarantee any loan obtained by one of them.
7. Except as described in Section 12-9 ("**Material Contracts with Related Parties**") and Section 12.9.4 ("**Transactions with Related Parties not Governed by Official Contracts**"), none of the Directors, Senior Executives, the Secretary or any of their relatives or affiliates have any interest in any existing written or oral contracts, transactions with Related Parties not governed by official contracts or arrangements or agreements under consideration or to be concluded with the Company and its subsidiary.
8. Except as disclosed in Section 5-10 ("**Conflict of Interest**"), as at the date of this Prospectus, there are no conflicts of interest related to the Directors with respect to the contracts or transactions entered into by the Company and its subsidiary.
9. If the purchase option right granted to MBC Holding Group Holdings Ltd., mentioned in Section 12.7.4.2.3 ("**Purchase Option Right granted to MBC Group Holdings Ltd**."), is exercised, this will take place after the Substantial Shareholders' Lock-up Period and after investors are provided with the information necessary to permit trading of those securities in a transparent and fair manner, in accordance with the rules of the Securities Depository Center and the Listing Rules.
10. Except as disclosed in Section 4.2 ("**Development of Company's Capital and Ownership Structure**"), Section 5.10 ("**Conflict of Interest**"), Section 5-2 ("**Board of Directors**") and Section 5.8 ("**Remuneration of Directors**") of this Prospectus, neither the Directors nor any of their relatives or affiliates have any shares or interest of any kind in the Issuer or its subsidiary up to the date of this Prospectus.
11. The Company and its subsidiary prepare their consolidated interim and annual financial statements based on the appropriate regulations and policies in accordance with IFRS-Kingdom of Saudi Arabia, by the deadlines specified under the OSCOs. The Company prepares all other financial and non-financial reports using the appropriate regulations and policies as required by and by the deadlines specified under the OSCOs.
12. The Issuer, severally or jointly with its subsidiary, have working capital sufficient for a period of at least twelve (12) months immediately following the date of publication of this Prospectus.
13. Except as disclosed in Section 12.8 ("**Credit Facilities**"), the Company and its subsidiary have not issued any debt instruments or received any term or other types of loans or any outstanding loans or debts (including bank overdrafts, liabilities under acceptance, acceptance credits or purchase commitments).
14. There is no intention to materially change the nature of the activities of the Company and its subsidiary. There has been no interruption in the business of the Company or its subsidiary which may have or has had a significant effect on the financial position in the last twelve (12) months.
15. No commissions, discounts, brokerages or other non-cash compensation was granted by the Company or its subsidiary within the three (3) years immediately preceding the application for admission and offer of securities in connection with the issue or offer of any securities.
16. There has been no material adverse change in the financial or trading position of the Issuer or its subsidiary in the three years immediately preceding the date of filing the application for admission and offer of securities, subject of this Prospectus, and during the period from the end of the period covered by the Auditor's report to the date of this Prospectus.

17. Appropriate internal control systems have been put into place including a written policy to regulate conflicts of interest and address any possible cases of conflict, which include the misuse of the Company's assets and abuse resulting from transactions with Related Parties. In addition to ensuring that sound financial and operational systems and appropriate control systems for the management of potential risks are in place, as required under Article 22 of the Corporate Governance Regulations, the Directors also annually review the internal control procedures of the Company and its subsidiary.
18. The Company's audited financial statements for the fiscal year ended 31 December 2018G and the audited consolidated financial statements for the years ended 31 December 2019G and 31 December 2020G have been prepared in accordance with IFRS-Kingdom of Saudi Arabia. The financial information for FY 2018G contained in this Prospectus was derived from the comparative financial information shown in the Company's financial statements for FY 2019G. The financial information for FY 2019G was derived from the Company's consolidated financial statements for FY 2020G. The financial information set out in this Prospectus has been extracted without material change from and in a form consistent with the aforementioned financial statements.
19. None of the Directors or the CEO will vote on General Assembly resolutions that relate to any transaction or contract in which the Directors or the CEO have a direct or indirect interest.
20. Except as disclosed in Section 12.14 ("**Zakat and Tax Status of the Company**"), there are no current objections or disputes from the Zakat, Tax and Customs Authority.
21. They have developed procedures, controls and systems to enable the Company to meet all requirements of the relevant laws and regulations, including the Companies Law, the Capital Market Law and its implementing regulations, the Rules on the Offer of securities and Continuing Obligations and the Listing Rules.
22. Except as disclosed in Section 12.8 ("**Credit Facilities**"), there is no pledge, mortgage or financial encumbrance on any of the assets of the Company or its subsidiary.
23. As at the date of this Prospectus, there are no employee share schemes that would involve employees in the Company's capital, and no other similar arrangements are in place.
24. The Directors may not have any direct or indirect interest in the transactions and contracts of the Company except with the permission of the General Assembly.
25. The Directors will notify the Board of Directors of any direct or indirect interest they have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting.
26. As at the date of this Prospectus, neither the Company nor its subsidiary have adopted any research and development policies.
27. Except as disclosed in Section 4-7-12 ("**Shareholders Agreement**"), none of the shares of the Company or its subsidiary is under option as at the date of this Prospectus. The share capital of the Company's subsidiary is not subject to any option as at the date of this Prospectus.
28. They have not at any time been declared bankrupt or been subject to bankruptcy proceedings.
29. None of the companies in which any of the Directors, Senior Executives or Secretary was employed in a managerial or supervisory capacity was declared insolvent or bankrupt during the five (5) years preceding the date of this Prospectus.
30. No powers exist giving any of the Directors the right to borrow money from the Company or its subsidiary.
31. All company employees are under the Company's sponsorship. They do not work for any other Related Parties, and no service agreement was signed between the Company and Related Party companies.

The Directors declare that they are in compliance with the provisions of Articles 71, 72, 73, 74 and 75 of the Companies Law and Article 46 of the Corporate Governance Regulations with respect to contracts with related parties, as follows:

32. All transactions entered into by the Group with Related Parties shall be entered into on a commercial basis and all works and contracts with Related Parties shall be subject to a vote in meetings of the Board of Directors and, if required by law, the Ordinary General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the Ordinary General Assembly.
33. Except as disclosed in Section 5.10 ("**Conflict of Interest**"), the members of the Board of Directors thus declare that they have not participated, jointly or severally, in any activities similar to or in competition with the activities of the Company or its subsidiary. The Directors further undertake to fulfil the requirements of the Companies Law.
34. Neither the Directors nor any Senior Executives may obtain a loan from the Company or its subsidiary, and the Company shall not guarantee any loan entered into by a Director.

In addition to the declarations described above, the Directors and the CEO declare that:

35. The Directors and CEO shall not have the right to vote on decisions relating to their fees and remuneration.

The Directors also declare that:

36. The control, accounting and IT systems of the Company are sufficient and adequate.
37. Third party information and data included in this Prospectus, including the information derived from the market study report prepared by the Market Consultant, is reliable and there is no reason for the Company to believe that such information is inaccurate.
38. All terms and conditions that could affect the decision of Investors to subscribe for the Company's shares have been disclosed.
39. The Company currently has no intention of signing any new contracts with any Related Parties, except for the renewal of contracts with the Related Parties that have been previously concluded and referred to in this Prospectus. If the Company wishes to sign new contracts with Related Parties in the future, the Company shall adhere to Articles 71, 72, 73, 74 and 75 of the Companies Law and Article 46 of the Corporate Governance Regulations.
40. As at the date of this Prospectus, the Shareholders whose names are listed in Table 12.1 ("**The Company's Ownership Structure Pre- and Post-Offering**") of this Prospectus are the legal owners of the shares. The Board of Directors declares that the shareholding structure complies with the Foreign Investment Law.
41. All increases in the capital of the Company are in compliance with the laws and regulations applicable in the Kingdom of Saudi Arabia.
42. The Company and its subsidiary do not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect the balance sheet.
43. Except as disclosed in Section 2 ("**Risk Factors**"), the Company and its subsidiary are not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations or the operations of its subsidiary.
44. Except as disclosed in Section 2 ("**Risk Factors**"), the Company is not aware of any seasonal information or business cycles related to its business that would affect the operations or financial position of the Company or its subsidiary.
45. The Company and its subsidiary have insurance policies with sufficient insurance coverage to carry out its activities. The Company and its subsidiary renew their respective insurance policies regularly to ensure continued insurance coverage and the Company and its subsidiaries have taken all reasonable security measures as per applicable industry practices.
46. All agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed.
47. Except as disclosed in Section 2 ("**Risk Factors**"), and to the best of their knowledge and belief, there are no other material risks that may affect prospective investors' decision to invest in the Offer Shares.
48. Except as disclosed in Section 2.1.18 ("**Risk Related to Regulatory Licenses and Permits**"), as at the date of this Prospectus, the Company and its subsidiary have obtained all necessary licenses and permits to carry out their business activities.
49. Except as disclosed in Section 12.13 ("**Litigation**"), the Company and its subsidiary are not party to any disputes, claims, lawsuits or outstanding investigation proceedings that may have a material impact on the Company's business or financial position.
50. Except as disclosed in Section 12.8 ("**Credit Facilities**"), the Company and its subsidiary have not obtained any term or other types of material outstanding loans or debts (including bank overdrafts, liabilities under acceptance, acceptance credits or purchase commitments).
51. The Company will approach the banking authorities to request the cancellation of the personal guarantees granted under the bank facilities agreements and replace them with guarantees from the Company (for more information, refer to Section 12.8 ("**Credit Facilities**")).
52. The financial information contained in this Prospectus has been derived from the audited financial statements for the fiscal years ended 31 December 2018G, 2019G and 2020G, and no material amendments have been made thereto except for rounding.

53. Except as disclosed in Section 2.1.28 ("**Risks Related to Credit**") and Section 12.8 ("**Credit Facilities**"), all necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to become a public joint stock company.
54. The Company is in compliance with all terms and conditions under the agreements with lenders granting loans, facilities and financing.
55. They will record all Board of Directors resolutions and deliberations in written minutes of meetings, which shall be signed by the Directors.
56. They will disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.
57. They comply with Articles 71, 72, 73 of the Companies Law, and Chapter VI of Part III of the Corporate Governance Regulations.
58. The statistical information used in Section 3 ("**Market and Sector Information**") obtained from external sources represents the most recent information available from the respective source.

12- Legal Information

12.1 Declarations Related to Legal Information

The Board of Directors declares that:

- The Offering does not violate applicable laws and regulations in the Kingdom.
- The Offering does not violate any of the contracts or agreements to which the Company is a party.
- All material legal information related to the Company has been disclosed in this Prospectus.
- Except as disclosed in Section 12-13 ("**Litigation**"), the Company and its subsidiary are not involved in any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company and its subsidiary.
- The members of the Board of Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company and its subsidiary.

12.2 The Company

The Arabian Contracting Services Company was incorporated as a Saudi limited liability company in Riyadh under Commercial Register No. 1010048419 on 18/05/1403H (corresponding to 03 March 1983G) with a capital of one million Saudi Riyals (SAR 1,000,000) for the objective of engaging in the business of outdoor advertising, particularly installing and operating outdoor advertising billboards.

Al Arabia was converted from a limited liability company to a joint stock company in accordance with Minister of Commerce and Investment Resolution No. 1132 issued on 02/05/1427H (corresponding to 30 May 2006G) on announcing the Company's conversion with a capital of sixty million Saudi Riyals (SAR 60,000,000).

The Company's current share capital is SAR 500,000,000 (five hundred million Saudi Riyals) divided into 50,000,000 (fifty million) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

The Company's main activity pursuant to its Bylaws is as follows:

- Promotion and advertising, printing advertisement materials, commercial printing, and binding.
- Manufacture of steel, aluminium and plastic materials used in advertising.
- Implementation of contracting and construction works.
- Purchase of lands and properties to construct buildings for the Company's benefit.
- Import, export, wholesale and retail of materials, advertising billboards, and printing supplies and equipment of all kinds.
- Installation and equipment of displays.
- Road works and maintenance, electrical works and maintenance, mechanical works and maintenance, construction works and maintenance.
- Manufacturing and assembly of advertisements and informational billboards, including digital TV billboards.

12.3 Shareholder Structure

The following table sets out the Company's share ownership and shareholders pre- and post-Offering:

Table (12-1): The Company's Ownership Structure Pre- and Post-Offering

Name	Post-Offering				Pre-Offering			
	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	Indirect Holding (%)	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	Indirect Holding (%)
Abdelellah Abdulrahman Saleh Alkhereiji [13]	12,500,000	125,000,000	25%	35%	-	-	-	32.5%
Engineer Holding Group Company	35,000,000	350,000,000	70%	-	32,500,000	325,000,000	65%	-
MBC Group Holdings Ltd.	2,500,000	25,000,000	5%	-	2,500,000	25,000,000	5%	-
The Public	-	-	-	-	15,000,000	150,000,000	30%	-
Total	**50,000,000**	**500,000,000**	**100%**	**35%**	**50,000,000**	**500,000,000**	**100%**	**32.5%**

Source: The Company

12.4 Company Branches and Subsidiary

The Company owns all shares in Al Arabia Out of Home Advertising Company, a wholly owned subsidiary of the Company.

Al Arabia Out of Home Advertising Company was incorporated in the Free Zone, Dubai, United Arab Emirates with a capital of one hundred thousand Emirati dirhams (AED 100,000) (equivalent to about one hundred two thousand, one hundred fifteen Saudi Riyals (SAR 102,115)) divided into one hundred (100) shares with a value of one thousand dirhams (AED 1,000) per share. It is located in Dubai Media City and holds Commercial License no. 95928 dated 18 April 2019G.

The following table illustrates the details and percentage of the Company's share in Al Arabia Out of Home Advertising:

Table (12-2): Details of and the Company's Shareholding in Al Arabia Out of Home Advertising Company

Subsidiary	Country of Incorporation	Commercial Register No.	Commercial Register Date of Issue	Direct Ownership (%)	Indirect Holding (%)	Other Shareholders (If Any)
Al Arabia Out of Home Advertising Company	United Arab Emirates	95928	18 April 2019G	100%	-	-

Source: The Company

Note that this company's activities are concentrated in its capacity as the Arabian Contracting Services Company's representative office in the UAE. Its head office is located in Dubai Media City to target all agencies and buyers of advertising space, which are in the same location.

13 Abdelellah Abdulrahman Saleh Alkhereiji indirectly owns 17.5 million shares (35%) through Engineer Holding Group Company (which directly owns 35 million (70%) of the Issuer's shares).

The Company has several branches, as detailed in the following table:

Table (12-3): Information of the Company's Branches

Branch	Commercial Register No.	City	Commercial Register Expiry Date	Activity (as per the Commercial Register)	Actual Activity
Arabian Contracting Services Company branch (Riyadh advertising sector)	1010062303	Riyadh	30/05/1443H (corresponding to 03 January 2022G)	Promotion and advertising	Advertising Business
Al Arabia Company Rawiyya Printing Press (Riyadh)	1010057812	Riyadh	04/02/1447H (corresponding to 30 July 2025G)	Printing, printing advertisements, posters and information bulletins, printing commercial stationary and invoices, photocopier-based printing, gravure and photo-engraving on metal or plastic sheets (Zincography), and advertising	Silk screen printing, offset printing, digital printing, trading in raw materials used for printing and advertising billboards
Ain Al Arabia Advertising Company	1010500526	Riyadh	18/04/1445H (corresponding to 02 November 2023G)	Wholesaling gifts and accessories, advertising, organising and managing exhibitions and conferences	Advertising business
Al Arabia Company Rawiyya Printing Press (Jeddah)	4030275525	Jeddah	29/10/1443H (corresponding to 30 May 2022G)	Printing, book printing, and advertisement, poster and information bulletin printing	Digital Printing
Arabian Contracting Services Company (Jeddah advertising sector)	4030058296	Jeddah	09/03/1444H (corresponding to 05 October 2022G)	Promotion and advertising	Advertising business

Source: The Company

12.5 Material Licenses and Approvals

The Company and its subsidiary have obtained several regulatory and operational licenses and certificates from competent authorities in order to carry out their operations in the Kingdom of Saudi Arabia and the United Arab Emirates. These licenses and certificates are renewed periodically. The members of the Board of Directors acknowledge that the Company obtained all necessary licenses and approvals to conduct its business. The tables below set out the current licenses and certificates obtained by the Company or its subsidiary:

Table (12-4): Commercial Register Certificates Obtained by the Company and its Subsidiary

No.	The Company	Location	Legal Entity	Commercial Registration	Registration Date	Expiry Date
1.	Arabian Contracting Services Company	Riyadh, Kingdom of Saudi Arabia	Closed joint stock Company	1010048419	18/05/1403H (corresponding to 03 March 1983G)	30/05/1443H (corresponding to 7 December 2021G)
2.	Al Arabia Out of Home Advertising Company	Dubai, United Arab Emirates	Limited liability Company	95928	18 April 2019G	31 March 2022G

Source: The Company

Table (12-5): Commercial Register Certificates for Company Branches

No.	Branch Name	Location	Commercial Register	Registration Date	Expiry Date
1.	Arabian Contracting Services Company branch	Riyadh, Kingdom of Saudi Arabia	1010062303	02/07/1406H (corresponding to 13 March 1986G)	30/05/1443H (corresponding to 3 January 2022G)
2.	Al Arabia Company Rawiyya Printing Press (Riyadh)	Riyadh, Kingdom of Saudi Arabia	1010057812	14/05/1405H (corresponding to 05 February 1985G)	04/02/1447H (corresponding to 30 July 2025G)
3.	Ain Al Arabia Advertising Company	Riyadh, Kingdom of Saudi Arabia	1010500526	18/04/1440H (corresponding to 27 December 2018G)	18/04/1445H (corresponding to 02 November 2023G)
4.	Al Arabia Company Rawiyya Printing Press (Jeddah)	Jeddah, Kingdom of Saudi Arabia	4030275525	30/10/1435H (corresponding to 27 August 2014G)	29/10/1443H (corresponding to 30 May 2022G)
5.	Arabian Contracting Services Company	Jeddah, Kingdom of Saudi Arabia	4030058296	12/01/1408H (corresponding to 06 September 1987G)	09/03/1444H (corresponding to 05 October 2022G)

Source: The Company

Table (12-6): Media Licenses Obtained by the Company

No.	Licensee	Issuing Authority	License Number	Issue Date	Expiry Date
1.	Arabian Contracting Services Company Branch (Jeddah)	GCAM	50957	12/10/1436H (corresponding to 28 July 2015G)	12/10/1445H (corresponding to 21 April 2024G)
2.	Al Arabia Company Rawiyya Printing Press	Ministry of Media	22618	13/08/1409H (corresponding to 21 March 1989G)	28/12/1442H (corresponding to 07 August 2021G)
3.	Ain Al Arabia Advertising Company	Ministry of Media	62393	17/06/1440H (corresponding to 22 February 2019G)	17/06/1443H (corresponding to 20 January 2022G)
4.	Arabian Contracting Services Company	GCAM	23239	09/05/1413H (corresponding to 17 September 1992G)	22/04/1444H (corresponding to 16 November 2022G).

Source: The Company

Table (12-7): Company's Certificates of Membership in Chambers of Commerce

No.	Licensee	Issuing Authority	License Number	Issue Date	Expiry Date
1.	Arabian Contracting Services Company branch	Jeddah Chamber of Commerce, Kingdom of Saudi Arabia	66355	09/03/1439H (corresponding to 27 November 2017G)	09/03/1444H (corresponding to 05 October 2022G)
2.	Arabian Contracting Services Company	Riyadh Chamber of Commerce, Kingdom of Saudi Arabia	24363	16/08/1403H (corresponding to 29 May 1983G)	30/05/1443H (corresponding to 03 January 2022G)
3.	Arabian Contracting Services Company	Riyadh Chamber of Commerce, Kingdom of Saudi Arabia	16115	15/05/1438H (corresponding to 12 February 2017G)	30/05/1443H (corresponding to 03 January 2022G)
4.	Al Arabia Company Rawiyya Printing Press (Arabian Contracting Services Company branch)	Riyadh Chamber of Commerce, Kingdom of Saudi Arabia	33537	13/10/1405H (corresponding to 02 July 1985G)	04/02/1447H (corresponding to 29/07/2025G)
5.	Al Arabia Company Rawiyya Printing Press (Arabian Contracting Services Company branch)	Jeddah Chamber of Commerce, Kingdom of Saudi Arabia	320242	29/10/1435H (corresponding to 26 August 2014G)	29/10/1443H (corresponding to 30 May 2022G)
6.	Ain Al Arabia Advertising Company branch	Riyadh Chamber of Commerce, Kingdom of Saudi Arabia	484903	18/04/1440H (corresponding to 25 December 2018G)	18/04/1445H (corresponding to 02 November 2023G)

Source: The Company

Table (12-8): Municipal Licenses Obtained by the Company

No.	Licensee	Location	License Number	Issue Date	End Date	Issuing Authority
1.	Arabian Contracting Services Company	Olaya District	40102433062	NA	09/05/1447H (corresponding to 31 October 2020G)	Ministry of Municipal, Rural Affairs and Housing-Riyadh secretariat - Olaya Municipality
2.	Arabian Contracting Services Company	Olaya District	40031892590	20/12/1437H (corresponding to 21 September 2016G)	20/12/1442H (corresponding to 30 July 2021G)	Ministry of Municipal, Rural Affairs and Housing-Riyadh secretariat - Olaya Municipality
3.	Arabian Contracting Services Company	Al Hamra District	39111411057	02/09/1436H (corresponding to 19 June 2015G).	01/09/1447H (corresponding to 18 February 2026G).	Ministry of Municipal, Rural Affairs and Housing- Jeddah Municipality - Al-Aziziyah Municipality

Source: The Company

Table (12-9): Other Regulatory Licenses*

No.	Licensee	License Type	License Number	Issue Date	End Date	Issuing Authority
1.	Al Arabia Out of Home Advertising Company	Commercial license	95928	13/08/1440H (corresponding to 18 April 2019G).	18/08/1422H (corresponding to 31 March 2022G).	Dubai Development Authority
2.	Al Arabia Company Rawiyya Printing Press	National industrial establishment license	1441	05/06/1440H (corresponding to 10 February 2019G)	03/06/1443H (corresponding to 06 January 2022G)	Ministry of Energy, Industry and Mineral Resources
3.	Al Arabia Company Rawiyya Printing Press - Jeddah	National industrial license	4060012459	09/01/1442H (corresponding to 28 August 2020G).	29/10/1442H (corresponding to 10 June 2021G).	Ministry of Industry and Mineral Resources

Source: The Company

*The Company does not have a license from Civil Defence.

12.6 Summary of the Company's Bylaws

12.6.1 Company Name

The Company's name is the Arabian Contracting Services Company, a joint stock company.

12.6.2 Company Objectives

The Company's objectives are:

- Promotion and advertising, printing advertisement materials, commercial printing, and binding.
- Manufacture of steel, aluminium and plastic materials used in advertising.
- Implementation of contracting and construction works.
- Purchase of lands and properties to construct buildings for the Company's benefit.
- Import, export, wholesale and retail of materials, advertising billboards, and printing supplies and equipment of all kinds.
- Installation and equipment of displays.
- Road works and maintenance, electrical works and maintenance, mechanical works and maintenance, construction works and maintenance.
- Manufacturing and assembly of advertisements and informational billboards, including digital TV billboards.

The Company carries out its activities pursuant to the applicable regulations after obtaining the necessary licenses from the competent authorities, if any.

12.6.3 Participation and Ownership in Companies

The Company may establish companies on its own (limited liability or closed joint stock companies) provided that the capital thereof is not less than five (5) million Riyals. It may own interests and shares in other existing companies or merge therewith and participate with others in establishing joint stock or limited liability companies after meeting the applicable requirements under the relevant laws and instructions. The Company may also dispose of such shares or stocks, provided this does not include any brokerage.

12.6.4 Company Head Office

The Company's head office is in the city of Riyadh. The Company may also, by a resolution of the Board of Directors, open branches or agency offices inside or outside Saudi Arabia.

12.6.5 Duration of the Company

The duration of the Company is ninety-nine (99) Gregorian years, commencing as at the date on which the Company is registered in the Commercial Register. The Company's term may always be extended by a resolution of the Extraordinary General Assembly at least one (1) year prior to the expiration of the Company's term.

12.6.6 Share Capital

The Company's share capital is five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) shares of equal value, with a nominal value of ten Saudi Riyals (SAR 10) per share, all of which are cash and in-kind ordinary shares.

12.6.7 Subscription to the Offer Shares

The founders subscribed for the entire capital of fifty million (50,000,000) fully paid shares amounting to five hundred million Saudi Riyals (SAR 500,000,000). The cash amounts were deposited in a licensed bank in the Kingdom of Saudi Arabia, and the founders acknowledged their joint responsibility towards others in the correct valuation of the assets presented as in-kind shares.

12.6.8 Preferred Shares

The Company's Extraordinary General Assembly may, based on rules established by the competent authorities, issue preferred shares, decide to purchase them, convert ordinary shares into preferred shares or convert preferred shares into ordinary shares. Preferred shares do not accord voting rights in General Assemblies of Shareholders. These shares entitle their holders to receive a greater percentage of Company's net profits, after setting aside the statutory reserve, than those received by holders of ordinary shares.

12.6.9 Sale of Non-Paid-up Shares

Each Shareholder undertakes to pay the value of the shares on the dates set for such payment. Should a Shareholder fail to pay by the due date, the Board of Directors may, after notifying the Shareholder via registered mail at their address listed in the shareholders register, sell the share at public auction or through the stock market, as the case may be, in accordance with controls set by the competent authority. The Company shall collect the amounts due thereto from the proceeds of the sale and return the remaining to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on all of the Shareholder's funds for the unpaid balance. However, a defaulting Shareholder may, up to the date of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard. The Company shall cancel the shares sold in accordance with this Article, and issue to the purchaser new shares bearing the serial numbers of the cancelled shares and make a note to this effect in the Shares Register specifying the name of the new holder.

12.6.10 Issuance of Shares

The Company shall issue share certificates with serial numbers. The share certificates shall be signed by the Chairman of the Board of Directors or a delegated Board member and stamped with the Company's stamp. Specifically, the share certificate shall indicate the number and date of the Ministerial Resolution authorising the Company's establishment, the number and date of the Ministerial Resolution announcing the Company's establishment, the value of its capital, number of distributed shares, the nominal value of the shares, the paid amount therefrom, the Company objectives in brief and the Company's head office and term. The shares may have coupons with serial numbers, and each coupon shall bear the number of the Share to which it is attached.

12.6.11 Trading of Shares

Shares subscribed for by the founders may only be traded after the publication of the financial statements for two fiscal years, each covering a period of at least 12 months from the date of the decision approving the Company's incorporation. A notation shall be made on the respective share certificates, indicating their class, the date of the Company's incorporation, and the period during which their trading shall be suspended.

However, during the lock-up period, shares may, in accordance with the legal provisions for the sale of rights, be transferred from one Shareholder to another, from the heirs of a deceased Shareholder to a third party, or if the funds of an insolvent or bankrupt founder are seized, provided that the other Shareholders are given priority to own such shares.

The provisions of this Article shall also apply to shares that are subscribed for by the founders in case of an increase of capital prior to the end of the Lock-up Period.

12.6.12 Shareholders Register

The Company's shares shall be traded by an entry in the shareholders register maintained or outsourced by the Company, which shall contain the Shareholders' names, nationalities, places of residence, occupations, the number of the shares and the amounts paid up on such shares. An annotation shall be made on the share indicating said entry. As far as the Company or third parties are concerned, the transfer of nominal shares shall only be effective from the date of the entry in said register.

12.6.13 Capital Increase

1) The Extraordinary General Assembly may resolve to increase the Company's capital, provided the capital has been paid up in full. The Capital does not need to be paid in full where the unpaid portion thereof corresponds to shares issued in exchange for converting debts or financing instruments into shares and the term prescribed for their conversion has not yet ended.
2) In all cases, the Extraordinary General Assembly may allocate all or some of the shares issued by the capital increase to all or some of the employees of the Company and its subsidiary. Shareholders may not exercise pre-emptive rights when the Company issues shares designated for employees.
3) Shareholders who own shares when the Extraordinary General Assembly issues a resolution to increase the capital have priority of subscription for new shares issued for cash shares. Such priority shall be published in a daily newspaper or shareholders shall be notified by registered mail of the capital increase resolution and subscription conditions, duration, and date of commencement and termination.
4) The Extraordinary General Assembly may suspend the pre-emptive rights of shareholders to subscribe for the capital increase in exchange for cash shares, or vest said pre-emptive rights in non-shareholders when it deems that doing so is in the Company's best interest.
5) Shareholders may sell or assign their pre-emptive rights in the period from the date the General Assembly resolution approving the capital increase until the last day of subscription for the new shares associated with those rights, in accordance with the measures established by the competent authority.
6) Without prejudice to the provisions of paragraph 4 above, new shares shall be allotted to the holders of pre-emptive rights who have expressed interest in subscribing thereto, in proportion to their total pre-emptive rights resulting from the capital increase, provided that their allotment does not exceed the number of new shares they requested. Remaining new shares shall be allotted to the pre-emptive right holders who have requested more than their proportionate stake, in proportion to their pre-emptive rights resulting from the capital increase, provided that their total allotment does not exceed the number of new shares they requested. Any remaining shares shall be offered to third parties unless the Extraordinary General Assembly decides or the Capital Market Law provides otherwise.

12.6.14 Capital Decrease

The Extraordinary General Assembly may resolve to reduce the capital if it is in excess of the Company's needs or if the Company sustains losses. In the latter case only, the capital may be reduced below the limit prescribed under Article 54 of the Companies Law. Such a resolution shall be issued only after reading a special report prepared by the auditor on the reasons for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. If the capital reduction is due to the capital being in excess of the Company's needs, the Company's creditors must be invited to express their objection to such reduction within sixty days from the date of publication of the resolution relating to the reduction in a daily newspaper distributed in the region where the Company head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.6.15 Management of the Company

The Company shall be managed by a Board of Directors consisting of six members elected by the Ordinary General Assembly for a period not exceeding three years. As an exception, the Company's first Board of Directors was appointed for a term of five years.

12.6.16 Termination of Board Membership

Board membership shall expire at the end of its term, or the end of the Board member's term in accordance with any laws or regulations applicable in the Kingdom of Saudi Arabia. However, the Ordinary General Assembly may, at any time, dismiss one or all Directors, without prejudice to the terminated member's right to seek compensation from the Company if the dismissal was not properly justified or occurred at an inappropriate time. The Board member may also tender their resignation, provided that such resignation occurs at an appropriate time, otherwise, said member shall be held liable for any damage affecting the Company as a result of their resignation.

12.6.17 Board Vacancies

If a Board position becomes vacant, the Board may appoint a temporary director, provided they have the experience and qualifications. MOCI must be informed of such (in addition to the CMA if the Company is listed in Saudi Stock Exchange (Tadawul)) within five business days from the appointment date, and the appointment shall be announced at the first Ordinary General Assembly. The new director shall complete the rest of his predecessor's term. If the conditions for holding a Board of Directors meeting are not satisfied because the number of directors falls below the minimum prescribed in the Regulations or in the Company's Bylaws, the remaining directors must call for a meeting of the Ordinary General Assembly as soon as possible to elect the required number of directors.

12.6.18 Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the Company inside and outside the Kingdom and to dispose of its assets, properties and real estate. It also has the right to purchase, accept and pay the price, mortgage, redeem mortgages, sell, discharge, receive payment, and deliver what was paid for, provided that the Board minutes register the details of the resolution taken to dispose of the Company's assets, properties and real estate subject to the following conditions:

- In its resolution, the Board shall justify such action.
- The sale shall be roughly comparable to the equivalent price.
- The payment of the price for such transaction shall not be deferred except in certain cases and with sufficient guarantees.
- This disposal shall not result in suspending some of the Company's activities or burdening it with other obligations. The Board of Directors may enter into loan contracts with government funds and financing institutions and commercial loan contracts with commercial banks, banks, financial firms and credit companies for any period, including loans whose terms exceed three years, subject to the following conditions for loans whose term exceeds three years:
  - The value of loans that the Board may enter into during the Company's fiscal year shall not exceed 5% of the Company's capital.
  - In its resolution, the Board of Directors shall specify the way the loan shall be spent and paid off.
  - The Board of Directors has to make sure the loan's conditions and guarantees do not incur harm on the Company, its Shareholders, and the general guarantees to creditors.

    The Board has the right to reconcile, waive, contract and engage in business in the Company's name and on its behalf and the Board may conduct all acts and activities to realise the Company's objectives.

    The Board of Directors may, within the scope of its authorities, delegate or authorise one or more of its members or a third party to conduct a specific task or carry out certain activities and may cancel such delegation or authorisation in whole or in part.
- The Board of Directors shall also have the right to discharge the Company's debtors from their obligations to further its interests, provided the Board minutes contain the details of the resolution, observing the following conditions:
  - The discharge occurs at least one full year from the establishment of the debt.

- The discharge shall be for a maximum specified amount for each year for each debtor.
- Discharge is a Board right and shall not be delegated to any person.

Subject to the powers reserved for the General Assembly, the Board of Directors shall have the broadest powers in managing the Company, supervising its business and funds, directing its activities, and developing its policies and operating principles to ensure the achievement of its objectives.

12.6.19 Remuneration of Board Members

The remuneration of the Board of Directors shall be specified and include a meeting attendance allowance, benefits in kind, or a certain percentage of net profits. It is permissible to combine two or more of these benefits. If the remuneration is a percentage of the profits, it shall be from the percentage specified in Article 5-46 of the Bylaws, and entitlement to remuneration shall be in accordance with the provisions of the Companies Law or any other regulations, resolutions or instructions complementary thereto. In all cases, the Nominations and Remuneration Committee submits the recommendation to the Board of Directors with the amount of the aforementioned remuneration. The Chairman and members of the Board of Directors shall be paid an attendance allowance of three thousand Riyals for each meeting they attend, and provided a travel allowance equivalent to the value of a business class ticket on Saudi Airlines and an accommodation allowance of two thousand Riyals for each day of the meeting for members for whom the meeting is outside their place of residence. The report of the Board of Directors to the Ordinary General Assembly shall include a comprehensive statement of all remuneration, expense allowances and other benefits that Board members received during the fiscal year, and shall also include a statement of payments received by Board members as workers or directors or what they received in return for technical or administrative work or consultations. The report shall also include a statement of the number of Board sessions and the number of Board sessions attended by each member from the date of the last meeting of the General Assembly.

12.6.20 Powers of the Chairman, Deputy Chairman, Managing Director and Secretary

The Board of Directors shall appoint from among its members a Chairman and a Deputy Chairman as well as a Managing Director. A member may not occupy both the office of Chairman and any executive position in the Company.

The Chairman shall be competent to represent the Company before the courts, arbitration tribunals and third parties and may, by a written resolution, delegate some of his powers to other members of the Board or other parties to carry out specific work or actions, including, but not limited to, memorandums of incorporation of companies in which the Company has shares and all amendments and annexes thereto. The Chairman shall be entitled to sign agreements, instruments and conveyances before public notaries and official authorities, and loan agreements with government financing funds and institutions, banks and financial firms. The Chairman's powers include signing guarantees, securities, selling, buying, conveying, accepting receipt and delivery, renting, leasing, receiving and paying money, releasing debtors of the Company from their obligations in accordance with the rules set in this regard, opening accounts and credits, withdrawing and depositing with banks, issuing bank guarantees, signing all papers, documents and checks, making all banking transactions, developing rules and procedures governing the Company's business and its relations with third parties, setting regulations, forming specialised work committees and determining their powers, terms of reference and selection mechanism.

The Managing Director shall also have the aforementioned powers and other powers determined by the Board of Directors. The Managing Director must implement the instructions given thereto by the Board of Directors.

In addition to the remuneration set for members of the Board of Directors, the Chairman will receive remuneration of one hundred thousand Riyals and the Managing Director will receive remuneration of one hundred thousand Riyals, in addition to the salary, allowances, monetary and in-kind benefits set for the Company's Managing Director, in accordance with the Company's internal regulations and within the limits stipulated in the Companies Law and regulations thereof.

The Board shall appoint a Secretary to be selected from among the Board members or third parties and shall determine the remuneration thereof. The Secretary's duties shall include recording minutes of Board meeting proceedings and resolutions and filing them in a special register for such purpose, as well as maintaining and keeping such register.

The term of the Chairman, Deputy Chairman, Managing Director and Secretary of the Board of Directors shall not exceed the term of their membership on the Board. They may be re-elected, and the Board may at any time dismiss all or any of them without prejudice to the dismissed party's right to compensation if the dismissal occurred for an unlawful reason or at an inappropriate time.

12.6.21 Board Meetings

The Board of Directors shall meet at least twice a year, upon an invitation from the Chairman, which shall be made in writing and delivered by hand or sent by facsimile, email or registered mail at least two weeks prior to the specified meeting date, unless the Board of Directors agrees otherwise. The Chairman shall call the Board to convene a meeting whenever requested by two members.

12.6.22 Quorum of Board Meetings

A Board meeting shall be quorate only if attended by at least three (3) members. Any member of the Board may authorise another member of the Board to represent them at the board meeting, in accordance with the following controls:

1) A member of the Board of Directors may not represent more than one Board member during the same meeting.
2) A proxy shall be made in writing.
3) A Board member acting by proxy may not vote on resolutions on which the principal is prohibited from voting.

Board resolutions shall be adopted by a majority vote of the members present or represented therein. In case of tie, the Chairman shall have the casting vote.

12.6.23 Board Deliberations

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, attending members and the Secretary. Such minutes shall be entered in a special register to be signed by the Chairman and the Secretary.

12.6.24 Assembly Attendance

Each subscriber, regardless of the number of shares held, shall have the right to attend the Conversion Assembly, and each shareholder shall have the right to attend General Assembly meetings. Shareholders may also authorise a third party, other than Board members or Company employees, to attend the General Assembly on their behalf.

12.6.25 Constituent General Assembly

The founders shall invite all subscribers to hold a constituent assembly within forty-five days from the date of the Ministry's resolution authorising the establishment of the Company. The assembly shall be valid only if attended by a number of subscribers representing at least one-half of the Company's capital.

If such quorum is lacking at the first meeting, a second meeting shall be called to be held at least fifteen days from the invitation date.

This meeting shall be valid regardless of the number of subscribers represented therein.

12.6.26 Responsibilities of the Constituent General Assembly

The Constituent Assembly shall be competent to deal with the matters set out under Article 63 of the Companies Law.

12.6.27 Responsibilities of the Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six (6) months following the end of the Company's fiscal year. Other Ordinary General Assembly meetings may be called when necessary.

12.6.28 Responsibilities of the Extraordinary General Assembly

An Extraordinary General Assembly of Shareholders shall be competent to amend the Company's provisions and by-laws, other than those provisions whose amendment is prohibited by law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the scope of powers of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

12.6.29 Convening Assemblies

General or Special Shareholder Assemblies shall be convened by the Board of Directors. The Board of Directors shall convene a General Assembly if requested to do so by the auditor, the Audit Committee or a number of shareholders representing at least five percent (5%) of the Company's capital. The auditor may call for an assembly to be convened when the Board fails to call for such a meeting within thirty (30) days of the auditor's request to do so.

The invitation shall be published in a daily newspaper circulated in the area where the Company's head office is located, at least twenty-one (21) days prior to the date set for such meeting. However, it is sufficient to send the invitation to all shareholders via registered letter within the timeframe set above. A copy of the notice and the agenda shall be sent to the Ministry, within the period set for publication.

12.6.30 Assembly Record of Attendance

Shareholders who wish to attend ordinary or special General Assembly meetings shall register their names at the Company's head office before the time specified for the Assembly.

12.6.31 Quorum of Ordinary General Assembly

Ordinary General Assembly meetings shall be quorate only if attended by shareholders representing at least one-half of the Company's share capital. If this quorum is not met, a second meeting may be held one hour after the end of the period specified for the first meeting, provided the invitation to the first meeting indicates the possibility of holding a second one. If the first invitation does not include the possibility of holding a second meeting, an invitation shall be issued to a second meeting to be held within the thirty days following the previous meeting, and this invitation shall be published in the manner stipulated in Article 30 of the Bylaws.

12.6.32 Quorum of Extraordinary General Assembly

Extraordinary General Assembly meetings shall be quorate only if attended by shareholders representing at least one-half of the Company's share capital. If this quorum is not met, a second meeting may be held one hour after the end of the period specified for the first meeting, provided the invitation to the first meeting indicated the possibility of holding a second one. If the first invitation does not include the possibility of holding the second meeting, an invitation shall be issued to a second meeting in the manner stipulated in Article 30 of the Bylaws.

In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Company's share capital.

If the second meeting is inquorate, then a third meeting shall be called to convene under the same conditions set forth in Article 30 of the Bylaws. With the consent of the competent authority, the third meeting shall be valid irrespective of the number of shares represented thereat.

12.6.33 Voting at Assemblies

Each subscriber shall have one vote for each share they represent at the Conversion Assembly and each shareholder shall have one vote for each share they represent at General Assembly meetings. Cumulative voting shall be employed in the election of the Board of Directors.

12.6.34 General Assembly Resolutions

Resolutions of the Constituent Assembly shall be adopted by absolute majority vote of the shares represented thereat. Resolutions of the Extraordinary General Assembly shall be adopted by an absolute majority of the shares represented in the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds of the shares represented at the meeting. If the resolution is related to increasing or reducing the capital, prolonging the term of the Company or dissolving it before the expiry period specified in its Bylaws or its merger with another company, the resolution will not be valid unless it is issued by a majority of three-quarters of the shares represented in the meeting.

12.6.35 Assembly Deliberations

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditor. The Board or the auditor shall answer the shareholder's questions to the extent that such is not detrimental to the Company's interests. If a shareholder deems the answer to the question unsatisfactory, then they may refer the issue to the General Assembly and the latter's decision in this regard shall be binding.

12.6.36 Presiding Over Assemblies and Keeping Minutes

The General Assembly of shareholders shall be presided over by the Chairman of the Board of Directors or, in his absence, the Deputy Chairman or, in their absence, the Board designated member.

Meeting minutes shall be drafted indicating the number of attending shareholders or representatives, the number of shares represented in person or by proxy, the number of votes associated therewith, the resolutions passed, the number of votes in favour and against, as well as a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the Secretary, and the Canvasser.

12.6.37 Audit Committee

12-6-37-1 Formation of the Committee

An audit committee shall be formed pursuant to a resolution passed by the Ordinary General Assembly and shall consist of three (3) non-executive Board members, whether from among the shareholders or others. The resolution shall specify the Committee's responsibilities, the rules governing its activities and the remuneration of its members.

12-6-37-2 Committee Quorum

Audit Committee meetings shall be quorate if attended by the majority of its members. Its resolutions shall be adopted by a majority vote of attending members; ties shall be decided by the vote of the meeting chairman.

12-6-37-3 Committee Responsibilities

The Audit Committee shall be responsible for overseeing the Company's business, and, towards that end, shall have access to Company records and documents. It shall also be entitled to request that Board members or executive directors provide it with clarifications or statements and may request that the Board of Directors calls for the convening of the Company's General Assembly if the Board hinders the performance of the Committee's duties or when the Company suffers material damages or losses.

12-6-37-4 Committee Reports

The Audit Committee shall be responsible for reviewing the Company's financial statements, as well as the reports and notes submitted by the auditor, and provide an opinion thereon, if any. It shall also draft an opinion concerning the adequacy of the Company's internal oversight control systems, and submit reports relating to other duties that fall within its purview. The Board of Directors shall ensure that a sufficient number of copies of said report be made available at the Company's head office at least twenty-one (21) days prior to the General Assembly meeting date, for shareholders who would like a copy thereof. Said report shall be read during the General Assembly meeting.

12.6.38 Auditor

12-6-38-1 Appointment of the Auditor

The Company shall have one or more auditors from among those licensed to operate in the Kingdom. Such auditor shall be appointed annually by the Ordinary General Assembly, which shall determine the remuneration and term thereof. The Assembly may, at any time, replace said auditor without prejudice to the latter's right to compensation if the replacement decision was unlawful or occurred at an inappropriate time.

12-6-38-2 Responsibilities of the Auditor

The Auditor shall have access to the Company's books, records and any other documents at all times. It may also request information and clarification, as it deems necessary, to verify the Company's assets, liabilities and other matters that may pertain to the scope of its activities. The Chairman of the Board of Directors shall enable the auditor to perform its duties; and when the auditor encounters difficulties in that regard, the latter shall document the same in a report to be submitted to the Board of Directors. Failure of the Board to facilitate the work of the auditor shall result in the latter requesting that the Board calls for a meeting of the Ordinary General Assembly to examine the matter.

12.6.39 Fiscal Year

The Company's fiscal year shall begin on 1 January and end on 31 December of each year. The first fiscal year shall start on the date of the resolution issued announcing the establishment of the Company and end at the end of December of the following year.

12.6.40 Financial Documents

1) At the end of each fiscal year, the Board of Directors shall prepare the Company's financial statements together with a report on its business and financial position for the ended fiscal year. This report shall include the proposed method for distributing profits. The Board of Directors shall place such documents at the disposal of the auditor at least forty-five (45) days prior to the date set for convening the General Assembly.
2) The Chairman of the Board, CEO and CFO shall sign the documents referred to in Paragraph (1) of this Article. A copy thereof shall be placed at the Company's Head Office at the disposal of Shareholders at least twenty-one (21) days prior to the date set for the General Assembly meeting.
3) The Chairman shall provide Shareholders with the Company's financial statements, Board of Directors' report and auditor's report unless they are published in a daily newspaper distributed at the Company's head office. The Chairman shall also send a copy thereof to the Ministry at least fifteen (15) days prior to the date set for the General Assembly meeting.

12.6.41 Distribution of Profits

The annual net profits of the Company shall be allocated as follows:

1) Ten percent (10%) of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by the Ordinary Assembly when the statutory reserve totals 30% of the Company's share capital.
2) The Ordinary General Assembly may, upon the recommendation of the Board of Directors, set aside a percentage of the net profits to form a contractual reserve to be allocated towards one or more specific purposes to be specified by the Company's Board of Directors.
3) The Ordinary General Assembly may decide to form other reserves to the extent that such achieves the interests of the Company or guarantees steady distribution of profits to shareholders. Said Assembly may also deduct certain amounts from the net profits to set up social institutions for the Company's employees or to support any existing institutions.
4) 5% of the remaining amount shall be distributed as an initial payment to the shareholders.
5) Subject to the provisions set forth in Article 20 of the Company's Bylaws and Article 76 of the Companies Law, 5% shall be set aside to remunerate the Board of Directors, provided that such remuneration is proportionate to the number of sessions attended by each director. The balance shall be distributed among the Shareholders as an additional share of the dividends.

12.6.42 Entitlement to Profits

Shareholders shall be eligible to receive dividends pursuant to a General Assembly resolution adopted in that regard and indicating the entitlement and distribution dates. Shareholders eligible to receive dividends shall be those whose names appear on the Shareholder Registers at the end of the entitlement date.

12.6.43 Distribution of Profits for Preferred Shares

1) If no profits were distributed for any fiscal year, profits may not be distributed for the following years, unless the percentage established in accordance with the provisions of Article 114 of the Companies Law has been paid to the owners of the preferred shares for such year.
2) If the Company failed to pay the determined percentage of profits in accordance with the provisions of Article 114 of the Companies Law for three (3) consecutive years, a Special Assembly of preferred shares holders shall be held in accordance with the provisions of Article 89 of the Companies Law to decide either to have the owners of the preferred shares attend meetings of the General Assembly and participate in the vote, or appoint their representatives to the Board of Directors, in proportion to the value of their shares in the Company's capital, until the Company is able to pay all of the profits allocated to the owners of the preferred shares for the previous years.

12.6.44 Company Losses

1) If, at any time during the fiscal year, the Company's losses total half of its paid-up capital, then any Company official or auditor, upon becoming aware thereof, must inform the Chairman of the Board of Directors. The Chairman shall immediately inform the members of the Board, which, within fifteen days of being informed thereof, shall call for an Extraordinary General Assembly meeting to be held within forty-five (45) days from the date they were informed of the losses. The meeting shall decide whether to increase or decrease the Company's capital, in accordance with the provisions of the Companies' Law, in order to render the losses equal to less than half of the paid-up capital, or to dissolve the Company prior to the end of the term specified in the Companies Law.
2) The Company shall be deemed dissolved under the Companies Law if its General Assembly fails to convene within the period specified in Paragraph 1 of this Article, or if it does convene but fails to reach a decision on the matter, or if it resolves to increase the capital in accordance with the conditions set forth in this Article, but the capital increase is not subscribed to in full within ninety days of the Assembly's resolution to increase the capital.

12.6.45 Liability Action

Each shareholder shall have the right to file a liability action, vested in the Company, against members of the Board who have committed a mistake that caused said shareholder to suffer damages. Such liability action may only be filed by the shareholder if the Company's right to file such action remains valid. The shareholder must notify the Company of their intention to file such action.

12.6.46 Termination of the Company

Upon its termination, the Company shall enter liquidation and retain its legal personality to the extent necessary for liquidation. The Extraordinary General Assembly shall adopt a resolution to voluntarily liquidate the Company. This resolution shall appoint a liquidator and specify the latter's powers, compensation and the restrictions on said powers, as well as the timeframe of the liquidation, which, in cases of voluntary liquidation must not exceed five (5) years, extendable only by court order. The powers of the Board of Directors shall cease upon the Company's dissolution. However, the Board of Directors shall remain responsible for the management of the Company and take on the capacity of liquidator until the latter is appointed. During liquidation, shareholder assemblies shall retain the responsibilities vested in them that do not conflict with those of the liquidator.

12.6.47 Final Provisions

The Companies Law and Implementing Regulations thereof shall apply to all matters not provided for in these Bylaws.

12.7 Material Agreements

The Company has entered into a number of material agreements for the purposes of conducting its business. Following is a summary of the agreements the Company considers material or important or which may otherwise impact investors' decision to subscribe for the Offering Shares. The Company believes that all these agreements, including important terms and conditions, have been included in this section, and there are no other material agreements in the context of the Company's business that have not been disclosed. The Company has not violated any of the terms and conditions stipulated in these agreements. The summary of the agreements and contracts referred to below does not include all the terms and conditions, and the summary cannot be considered a substitute for the terms and conditions contained in these agreements.

The total value of the material agreements in relation to outdoor and indoor advertising site contracts amounted to SAR 436 million, SAR 456 million and SAR 503 million for the years 2018G, 2019G and 2020G, respectively.

It is worth noting that in dealing with clients, the Company relies on a purchase order form instead of contracts or agreements. The client begins by requesting an advertising campaign from the Company specifying all the details of the advertisement. Then, the advertising campaign plan is drawn up, showing how the advertisement will be implemented. In the next step, the client approves this plan. Once approved, the client delivers the advertising material to the Company, which in turn reviews the material. Afterwards, the Company issues a campaign launch certificate and the transaction ends with the Company issuing the advertising invoice to the client. For more details about the Company's business model, please refer to Section 4.7.1 ("**Company's Client Business Model**").

12.7.1 Contracts for Outdoor Advertising Sites

The Company's main activity depends on external advertisements, which in turn depend on obtaining lease agreements for advertising sites by participating in tenders offered by the various municipalities and secretariats of the Ministry of Municipal, Rural Affairs and Housing or on concluding direct lease agreements with some other parties.

The municipalities and secretariats of the Ministry of Municipal, Rural Affairs and Housing rent out sites through tenders, which are announced by publishing advertisements in newspapers inviting various companies to receive tender documents and submit their bids in order to rent the sites included in the tender. The secretariats divide the cities into several areas or streets for the purpose of awarding tenders applicable thereto. They also determine the areas they deem proper for the purposes of investment. After each Company submits its financial proposal, the concerned secretariat or municipality awards the contract to the winning bidder in accordance with the conditions stipulated in the tender, and then the contract is signed between the parties. It should be noted that when offering the tender, the concerned secretariat or municipality provides the applicant companies with a detailed description of the sites of the related billboards, inspects these sites and makes sure that there is a nearby electricity source for each site. If a nearby source of electricity is not available in the site, the wining Company shall perform one of two procedures: ask secretariats to redistribute the spaces and locations of the billboards to the nearest source of electricity or bear the cost of extending electrical fittings to the advertising medium from the nearest source if the contract is a material one for the concerned Company. After the expiration of contract term, the secretariat might offer the same location for tender again under the same or new conditions or with different spaces and distribution of the advertising locations.

The term of each contract concluded by the Company with the municipalities or secretariats ranges from one (1) year to five (5) years. In some cases, the Company may continue to invest the sites that it leases under these contracts after the expiry of their period until they are offered again through a new tender. The Company submits a letter to the concerned entity requesting approval to use the leased sites in return for a commitment to pay the rent amount stipulated in the contract for that period. Municipalities and secretariats also require bidders to provide bank guarantees (for more information about the risks related to the Company's reliance on contracts in its business with governmental and semi-governmental entities, please refer to Section 2.1.2 ("**Risks Related to the Company's Reliance on Contracts with Government and Semi-governmental Entities in its Business**")). It is worth noting that due to the nature of the Company's business, the number of contracts concluded is always changing, given that the Company enters into new contracts or renews or terminates its contracts almost monthly based on the date of the end of the contract in question and the tenders offered (for more information, refer to Section 12.7.1.1 ("**Summary of Secretariat Contracts**") for outdoor advertising site contracts.

The number of Company contracts for outdoor advertising sites with secretariats and other entities in all regions of the Kingdom for all billboards amounted to 78 contracts, with a total value of SAR 503 million annually as at 31 December 2020G.

The following tables detail all existing contracts for the Company throughout the Kingdom of Saudi Arabia as at 31 December 2020G.

Table (12-10): Existing Company Contracts for Advertising Sites in Riyadh as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Term of Contract	Contract Commencement Date	Contract End Date	Description of Billboards	Notes
1.	Riyadh	Riyadh secretariat	Pisa/Mezah	100	5 years	06/05/1436H (corresponding to 25 February 2015G)	05/05/1441H (corresponding to 31 December 2019G)		The contract expired on 05/05/1441H and the Company was granted a compensatory period of one year because some billboards were removed due to road development projects. A bid was entered into on these sites and won for a period of two years, awaiting the award procedures
2.	Riyadh	Riyadh secretariat	Mupi	800	5 years	10/02/1439H (corresponding to 30 October 2017G)	09/02/1444H (corresponding to 04 September 2022G)	Billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
3.	Riyadh	Riyadh secretariat	Mega	400	5 years	11/05/1439H (corresponding to 28 January 2018G)	10/05/1444H (corresponding to 03 December 2022G)		
4.	Riyadh	Riyadh secretariat	Jisr	1	5 years	18/06/1439H (corresponding to 06 March 2018G)	17/06/1442H (corresponding to 09 January 2023G)		
5.	Riyadh	Riyadh secretariat	Online	10	5 years	10/03/1440H (corresponding to 18 November 2018G)	29/06/1445H (corresponding to 11 January 2024G)		
6.	Riyadh	Riyadh secretariat	Portrait	73	5 years	05/05/1441H (corresponding to 1 January 2020G)	04/05/1446H (corresponding to 05 November 2024G)	2 m × 3 m billboard	
7.	Riyadh	Riyadh secretariat	Unipole	30	5 years	16/10/1441H (corresponding to 02 June 2020G)	15/10/1446H (corresponding to 13 April 2025G)		
8.	Riyadh	Muhammad Rashid Deil Establish-ment (Festi-val Markets Manage-ment)	Mupi	25	5 years	23/10/1441H (corresponding to 15 June 2020G)	18/12/1446H (corresponding to 14 June 2025G)	Lit double-sided Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m	

	Location	Lessor	Type of Billboards	Number of Billboards	Term of Contract	Contract Commencement Date	Contract End Date	Description of Billboards	Notes
9.	Riyadh	Muhammad Rashid Deil Establishment (Festival Markets Management)	Megacom	9	5 years	23/10/1441H (corresponding to 15 June 2010G)	18/12/1446H (corresponding to 14 June 2025G)	Lit, double-sided billboards with an advertising area not exceeding 3 m x 4 m	
10.	Riyadh	Riyadh Development Company	Mupi	80	1 year	11/10/1437H (corresponding to 15 July 2016G)	10/10/1442H (corresponding to 22 May 2021G)	Lit, double-sided Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m	
			Megacom	26				Lighted, double-sided Megacom billboards with an advertising area not exceeding 3 m x 4 m	
11.	Riyadh	ASAS for Developing and Operating Industrial Cities	Megacom	20	5 years	04/12/1434H (corresponding to 08 October 2013G)	02/03/1443H (corresponding to 08 October 2021G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3 m x 4 m	.
12.	Riyadh	Saudi Industrial Property Authority (MODON)	Megacom	60	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3 m x 4 m	The contract has expired. Billboards were removed.
			Mupi	80				Lit, double-sided Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m	
13.	Riyadh	The Ministry of National Guard	Mupi	50	3 years	16/06/1442H (corresponding to 31 December 2020G)	16/06/1442H (corresponding to 31 December 2020G)	Lit, double-sided Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m	The contract expired, and the billboards were removed.
14.	Diriyah	Diriyah Governorate Municipality	Megacom	31	5 years	01/11/1436H (corresponding to 16 August 2015G)	30/10/1441H (corresponding to 20 June 2020G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3 m x 4 m	The contract has expired The Company will act upon this contract as a utilisation period until it is re-offered and re-rented.
			Mupi	40				Lit, double-sided Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m	
			Online	1					

	Location	Lessor	Type of Billboards	Number of Billboards	Term of Contract	Contract Commencement Date	Contract End Date	Description of Billboards	Notes
15.	Kharj	Kharj Governorate Municipality	Megacom	60	5 years	03/07/1440H (corresponding to 10 March 2019G)	02/07/1445H (corresponding to 13 January 2024G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3 m x 4 m	
16.	Al Zulfi	Al Zulfi Governorate Municipality	Mupi	50	5 years	02/06/1441H (corresponding to 28 January 2020G)	01/06/1446G (corresponding to 12 February /2024G)	Lit, double-sided Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m	
Total Number of Billboards: 1,946 Billboards									

Source: The Company

Table (12-11): Existing Company Contracts for Advertising Sites in Madinah Province as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
1	Madinah	Madinah Municipality	Electronic	1	5 years	13/02/1438H (corresponding to 13 November 2016G)	12/02/1443H (corresponding to 18 September 2021G)		
2	Madinah	Madinah Municipality	Pisa	50	5 years	02/08/1440H (corresponding to 07 April 2019G)	02/08/1445H (corresponding to 10 February 2024G)	Internally lit double-sided 3 m x 4 m billboards installed on a steel side post with an electronic system that allows 4 different advertisements to be displayed.	
3	Yanbu	Yanbu Governorate Municipality	Mupi	60	5 years	05/04/1438H (corresponding to 04 January 2017G)	04/04/1443H (corresponding to 09 November 2021G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
4	Yanbu	Yanbu Governorate Municipality	Megacom	30	5 years	17/04/1439G (corresponding to 05 January 2018G)	12/04/1444H (corresponding to 10 November 2022G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
5	Madinah	Saudi Industrial Property Authority (MODON)	Megacom	20	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired, and the billboards were removed
Total number of billboards: 161 billboards									

Source: The Company

Table (12-12): Existing Company Contracts for Advertising Sites in Mecca Province as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
1	Mecca	Mecca Municipality	Electronic	1	5 years	10/01/1437H (corresponding to 22 October 2015G)	09/01/1441H (corresponding to 27 August 2020G)		The contract expired, and the billboards were removed
2	Mecca	Mecca Municipality	Electronic	1	5 years	06/07/1437H (corresponding to 13 April 2016G)	05/07/1442H (corresponding to 16 February 201G)		The contract expired, and the billboards were removed
3	Mecca	Mecca Municipality	Mupi	50	3 years	22/05/1438H (corresponding to 19 February 2017G)	21/05/1441H (corresponding to 17 January 2020G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired, and the billboards were removed.
4	Mecca	Mecca Municipality	Mupi	50	3 years	22/05/1438H (corresponding to 19 February 2017G)	21/05/1441H (corresponding to 17 January 2020G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired. The Company will continue to work with this contract as a utilisation period until it is re-offered and re-rented.
5	Mecca	Mecca Municipality	Tower	5	3 years	03/04/1439H (corresponding to 22 December 2017G)	02/04/1442H (corresponding to 18 November 2020G)		The contract expired, and the billboards were removed
6	Mecca	Mecca Municipality	Megacom	50	3 years	14/02/1440H (corresponding to 25 October 2018G)	13/02/1443H (corresponding to 21 September 2021G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
7	Mecca	Mecca Municipality	Megacom	50	3 years	14/02/1440H (corresponding to 25 October 2018G)	13/02/1443H (corresponding to 21 September 2021G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
8	Mecca	Mecca Municipality	Electronic	1	5 years	02/05/1440H (corresponding to 09 January 2019G)	30/04/1445H (corresponding to 11 November 2023G)		
9	Mecca	Mecca Municipality	Electronic	1	5 years	08/06/1441H (corresponding to 02 February 200G)	07/03/1446H (corresponding to 07 December 2024G)		
10	Jeddah	Jeddah Municipality	Mupi	651	5 years	23/01/1437H (corresponding to 05 November 2015G)	22/01/1442H (corresponding to 09 September 2020G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired on 22/01/1442H, and the Company was granted a compensatory period of five months and three days because some billboards were removed due to road development projects. Another bid was submitted for these sites and lost.

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
11	Jeddah	Jeddah Municipality	Electronic	5	5 years	23/01/1437H (corresponding to 05 November 2015G)	22/01/1442H (corresponding to 09 September 2020G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired on 22/01/1442H, and the Company was granted a compensatory period of seven months and twenty days because some billboards were removed due to road development projects. Another bid was submitted for these sites and lost.
			Pisa/Mesa	116					
			Tower	23					
			Megacom	416					
12	Jeddah	Jeddah Municipality	Electronic	1	5 years	20/09/1439H (corresponding to 04 June 2018G)	19/09/1444H (corresponding to 09 April 2023G)		
13	Jeddah	Jeddah Municipality	Electronic	5	5 years	22/06/1440H (corresponding to 28 February 2019G)	21/06/1445H (corresponding to 03 January 2024G)		
14	Jeddah	Saudi Industrial Property Authority (MODON)	Pisa	4	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Internally lit double-sided 3m x 4m billboards installed on a steel side post with an electronic system that allows 4 different advertisements to be displayed.	The contract expired, and the billboards were removed.
			Megacom	36				Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
			Mupi	50				Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
15	Taif	Taif Municipality	Mupi	50	5 years	06/08/1436H (corresponding to 25 May 2015G)	05/08/1441H (corresponding to 29 March 2020G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired. The Company will continue to work with this contract as a utilisation period until it is re-offered and re-rented.
16	Taif	Taif Municipality	Megacom	20	5 years	09/06/1437H (corresponding to 19 March 2016G)	08/06/1442H (corresponding to 22 January 2021G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired. The Company is continuing to operate under this contract as a use period until it is reoffered and leased.
Total number of billboards: 1,587 billboards									

Source: The Company

Table (12-13): Existing Company Contracts for Advertising Sites in the Eastern Province as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
1	Dammam	Eastern Province Municipality	Mupi	400	5 years	07/07/1438H (corresponding to 04 April 2017G)	07/07/1443H (corresponding to 07 February 2022G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
2	Dammam	Eastern Province Municipality	Megacom	120	5 years	21/05/1439H (corresponding to 07 February 2018G)	20/05/1444H (corresponding to 13 December 2022G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
3	Dammam	Eastern Province Municipality	Pisa/Mesa	40	5 years	01/07/1440H (corresponding to 08 March 2019G)	30/06/1445H (corresponding to 11 January 2024G)		
4	Dammam*	Eastern Province Municipality	Mupi	340	5 years	13/07/1441H (corresponding to 08 March 2020G)	12/07/1446H (corresponding to 11 January 2025G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
5	Dammam	Eastern Province Municipality	Megacom	190	5 years	05/01/1442H (corresponding to 24 August 2020G)	04/01/1447H (corresponding to 29 January 2025G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
6	Dammam	Saudi Industrial Property Authority (MODON)	Megacom	30	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired, and the billboards were removed.
7	Al Ahsa	Al Ahsa Municipality	Megacom	40	5 years	11/06/1437H (corresponding to 20 March 2016G)	10/03/1442H (corresponding to 27 October 2020G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired, and the billboards were removed.
8	Al Ahsa	Al Ahsa Municipality	Electronic	1	5 years	04/07/1437H (corresponding to 12 April 2016G)	03/07/1442H (corresponding to 18 November 2020G)		The contract expired. The Company is continuing to operate under this contract as a use period. A new bid was submitted and won and the new contract signed.
9	Ras Tanura	Municipality of Ras Tanura Governorate	Mupi	50	5 years	24/11/1439H (corresponding to 06 August 2018G)	23/11/1444H (corresponding to 11 January 2023G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
10	Jubail	Jubail Governorate Municipality	Megacom	60	5 years	02/11/1439H (corresponding to 15 July 2018G)	01/11/1444H (corresponding to 23 May 2023G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
11	Qatif	Qatif Governorate Municipality	Megacom	90	5 years	14/10/1439H (corresponding to 28 June 2018G)	13/10/1444H (corresponding to 03 May 2023G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
12	Hafar Al-Batin	Municipality of Hafar Al-Batin Governorate	Electronic	1	5 years	24/01/1440G (corresponding to 05 October 2018G)	23/01/1445H (corresponding to 10 August 2023G)		The contract was cancelled by the Secretariat for public interest.
13	Al Ahsa	Al Ahsa Municipality	Mupi	130	5 years	30/06/1441H (corresponding to 24 February 200G)	29/06/1446H (corresponding to 29 December 2024G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
14	Al Ahsa	Al Ahsa Municipality	Megacom	40	5 years	07/07/1441H (corresponding to 02 March 2020G)	06/07/1446H (corresponding to 05 January 2025G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
Total number of billboards: 1,532 billboards									

Source: The Company

* The contract was signed and the sites are being received.

Table (12-14): Existing Company Contracts for Advertising Sites in Qassim Province as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
1	Ar Rass	Ar Rass Governorate Municipality	Mupi	20	5 years	24/03/1436H (corresponding to 15 January 2015G)	23/03/1441H (corresponding to 20 November 2019)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired on 23/03/1441H. The Company continues to operate under this agreement as a use period. A new bid was submitted and won and the new contract signed.
2	Unaiza	Unaiza Municipality	Mupi	20	5 years	01/03/1437H (corresponding to 13 December 2015G)	30/02/1442H (corresponding to 17 October 2020G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired, and the billboards were removed.
3	Buraidah	Buraidah Governorate Municipality	Megacom	10	5 years	25/08/1437H (corresponding to 02 June 2016G)	16/05/1442H (corresponding to 01 December 2020G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired, and the billboards were removed.

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
4	Unaiza	Unaiza Municipality	Megacom	23	5 years	19/04/1438H (corresponding to 05 October 2016G)	18/04/1443H (corresponding to 10 August 2021G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
5	Unaiza	Unaiza Municipality	Megacom	10	5 years	19/04/1438H (corresponding to 05 October 2016G)	18/04/1443H (corresponding to 10 August 2021G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
6	Unaiza	Unaiza Municipality	Mupi	25	5 years	25/11/1437H (corresponding to 29 August 2016G)	24/11/1442H (corresponding to 04 July 2021G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
7	Unaiza	Unaiza Municipality	Mupi	25	5 years	26/11/1437H (corresponding to 30 August 2016G)	25/11/1442H (corresponding to 05 July 2021G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
8	Al-Bukayriyah	Al-Bukayriyah Governorate Municipality	Mupi	25	5 years	01/02/1438H (corresponding to 02 November 2016G)	30/01/1443H (corresponding to 07 September 2021G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
9	Qassim	Qassim Secretariat	Megacom	15	5 years	01/06/1439H (corresponding to 17 February 2018G)	30/05/1444H (corresponding to 23 December 2022G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
10	Buraidah	Buraidah Governorate Municipality	Mupi	50	5 years	11/06/1439H (corresponding to 27 February 2018G)	10/06/1444H (corresponding to 02 January 2023G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
11	Buraidah	Buraidah Governorate Municipality	Electronic	1	5 years	01/07/1439H (corresponding to 13 August 2018G)	30/06/1444H (corresponding to 21 January 2023G)		
12	Buraidah	Buraidah Governorate Municipality	Megacom	30	5 years	09/06/1439H (corresponding to 25 February 2018G)	08/06/1444H (corresponding to 31 December 2022G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
13	Qassim	Saudi Industrial Property Authority (MODON)	Megacom	20	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired, and the billboards were removed.
Total number of billboards: 274 billboards									

Source: The Company

Table (12-15): Existing Company Contracts for Advertising Sites in the Southern Province as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
1	Najran	Najran Province Municipality	Electronic	1	5 years	15/05/1437H (corresponding to 24 February 2016G)	14/05/1442H (corresponding to 29 December 2020G)		The contract expired, and the billboards were removed.
2	Khamis Mushait	Khamis Mushait Municipality	Electronic	1	5 years	30/10/1437H (corresponding to 02 November 2016G)	29/01/1443H (corresponding to 07 September 2021G)		
3	Khamis Mushait	Khamis Mushait Municipality	Mupi	80	5 years	01/12/1437H (corresponding to 04 September 2016G)	01/12/1442H (corresponding to 10 July 2021G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
4	Abha	Assir Province Municipality	Mupi	60	5 years	01/05/1439H (corresponding to 18 January 2018G)	30/04/1444H (corresponding to 23 November 2022G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
			Megacom	30				Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
5	Khamis Mushait	Khamis Mushait Municipality	Megacom	25	5 years	20/10/1440H (corresponding to 23 June 2019G)	19/10/1445H (corresponding to 27 April 2024G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
6	Jazan	Jazan Province Municipality	Mupi	80	5 years	03/04/1441H (corresponding to 30 November 2019G)	02/04/1446H (corresponding to 4 October 2024G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
7	Jazan	Jazan Province Municipality	Megacom	40	5 years	10/05/1441H (corresponding to 05 January 2020G)	09/05/1446H (corresponding to 09 November 2024G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
8	Jazan	Jazan Province Municipality	Screen	1	5 years	10/05/1441H (corresponding to 05 January 2020G)	09/05/1446H (corresponding to 09 November 2024G)		
9	Jazan	Jazan Province Municipality	Megacom	30	5 years	23/10/1441H (corresponding to 15 June 2020G)	22/10/1446H (corresponding to 20 April 2025G)		

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
10	Najran	Najran Province Municipality	Megacom	5	5 years	03/03/1441H (corresponding to 31 October 2019G)	03/03/1446H (corresponding to 04 September 2024G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
11	Najran	Najran Province Municipality	Megacom	5	5 years	03/03/1441H (corresponding to 31 October 2019G)	03/03/1446H (corresponding to 04 September 2024G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
12	Najran	Najran Province Municipality	Mupi	100	5 years	14/02/1441H (corresponding to 13 October 2019G)	13/02/1446H (corresponding to 17 August 2024G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
13	Al Baha	Al Baha Municipality	Mupi	60	5 years	19/02/1441H (corresponding to 19 October 2019G)	18/02/1446H (corresponding to 23 August 2024G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
14	Al Baha	Al Baha Municipality	Megacom	15	5 years	22/11/1441H (corresponding to 13 July 2020G)	21/11/1446H (corresponding to 15 May 2025G)		
Total number of billboards: 533 billboards									

Source: The Company

Table (12-16): Existing Company Contracts for Advertising Sites in the Northern Province as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
1	Tabuk	Tabuk Secretariat	Mupi	100	2 years	09/10/1439H (corresponding to 24 June 2018G)	09/10/1442H (corresponding to 21 May 2021G)		The contract was renewed for one year.
2	Arar	Municipality of Northern Boundaries Province	Megacom	30	5 years	18/04/1440H (corresponding to 25 December 2018G)	17/04/1445H (corresponding to 30 October 2023G)		
3	Qurayyat	Qurayyat Governorate Municipality	Mupi	70	5 years	16/03/1441H (corresponding to 13 November 2019G)	15/03/1446H (corresponding to 17 September 2024G)		
4	Hail	Hail Secretariat	Mupi	50	5 years	18/01/1439H (corresponding to 08 October 2017G)	17/01/1444H (corresponding to 13 August 2022G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
Total number of billboards: 250 billboards									

Source: The Company

Table (12-17): Existing Company Contracts for Outdoor Advertising Sites which are Expired as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
1	Riyadh	Saudi Industrial Property Authority (MODON)	Megacom	60	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired, and the billboards were removed.
			Mupi	80				Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
2	Riyadh	Ministry of the National Guard	Mupi	50	3 years	28/02/1438H (corresponding to 28 November 2016G)	16/06/1442H (corresponding to 31 December 2020G)	Mupi billboards with an advertising area not exceeding 1.2m x 1.8m, double-sided and lit	The contract expired, and the billboard were removed.
3	Madinah	Saudi Industrial Property Authority (MODON)	Megacom	20	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired, and the billboards were removed.
4	Mecca	Mecca Mu-nicipality	Tower	5	3 years	03/04/1439H (corresponding to 22 December 2017G)	02/04/1442H (corresponding to 18 November 2020G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired, and the billboards were removed.
5	Mecca	Mecca Mu-nicipality	Electronic	1	5 years	10/01/1437H (corresponding to 22 October 2015G)	09/01/1441H (corresponding to 27 August 2020G)		The contract expired, and the billboards were removed.
6	Mecca	Mecca Mu-nicipality	Mupi	50	3 years	22/05/1438H (corresponding to 19 February 2017G)	21/05/1441H (cor-responding to 17 January 2020G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired. The Com-pany will continue to work with this contract as a utili-sation period until it is re-offered and re-rented.
7	Mecca	Mecca Mu-nicipality	Electronic	1	5 years	06/07/1437H (corresponding to 3 April 2016G)	05/07/1442H (corresponding to 16 February 2021G)		The contract expired, and the billboards were removed.

	Location	Lessor	Type of Billboards	Number of Billboards	Contract Term	Contract Start Date	Contract End Date	Description of Billboards	Notes
8	Jeddah	Saudi Industrial Property Authority (MODON)	Pisa	4	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Internally lit double-sided 3m x 4m billboards installed on a steel side post with an electronic system that allows 4 different advertisements to be displayed.	The contract expired, and the billboards were removed.
			Megacom	36				Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	
			Mupi	50				Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	
9	Dammam	Saudi Industrial Property Authority (MODON)	Megacom	30	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3m x 4m	The term of the contract ended, and the billboards were removed.
10	Qassim	Saudi Industrial Property Authority (MODON)	Megacom	20	5 years	02/07/1435H (corresponding to 01 May 2014G)	05/09/1440H (corresponding to 10 May 2019G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3m x 4m	The term of the contract ended, and the billboards were removed.
11	Buraidah	Buraidah Governorate Municipality	Megacom	10	5 years	25/08/1437H (corresponding to 2 June 2016G)	16/05/1442H (corresponding to 31 December 2020G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3m x 4m	The term of the contract ended, and the billboards were removed.
12	Al-Ahsa	Al Ahsa Municipality	Megacom	40	5 years	11/06/1437H (corresponding to 20 March 2016G)	10/03/1442H (corresponding to 27 October 2020G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3m x 4m	The term of the contract ended, and the billboards were removed.
13	Unaiza	Unaiza Municipality	Mupi	20	5 years	01/03/1437H (corresponding to 13 December 2015G)	30/02/1442H (corresponding to 17 October 2020G)	Lit, double-sided Mupi billboards with an advertising space not exceeding 1.20m x 1.80m	The term of the contract ended, and the billboards were removed.
14	Najran	Najran Amanah	Online	1	5 years	15/05/1437H (corresponding to 24 February 2016G)	14/05/1442H (corresponding to 29 December 2020G)		The term of the contract ended, and the billboards were removed.

Source: The Company

Table (12-18): The Company's Existing Expired Contracts for Outdoor Advertising Sites that the Company Continues to Operate as a Use Period as of 31 December 2020

	Location	Lessor	Type of Billboard	Number of Billboard	Term of Contract	Contract Start Date	Contract End Date	Billboard Description	Notes
1	Diriyah	Diriyah Governorate Municipality	Megacom	31	5 years	01/11/1436H (corresponding to 16 August 2015G)	30/10/1441H (corresponding to 20 June 2020G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3m x 4m	The contract term has ended. The Company will act in accordance with this contract as a use period until it is re-offered and leased.
			Mupi	40				Lit, double-sided Mupi billboards with an advertising space not exceeding 1.20m x 1.80m	
			Online	1					
2	Mecca	Holy Capital Amanah	Mupi	50	3 years	22/05/1438H (corresponding to 19 February 2017G)	21/05/1441H (corresponding to 17 June 2020G)	Lit, double-sided Mupi billboards with an advertising space not exceeding 1.20m x 1.80m	The contract term has ended. The Company will act in accordance with this contract as a use period until it is re-offered and leased.
3.	Taif	Taif Municipality	Mupi	50	5 years	06/08/1436H (corresponding to 25 May 2015G)	05/08/1441H (corresponding to 29 March 2020G)	Mupi billboards with an advertising area not exceeding 1.20 m x 1.80 m, double-sided and lit	The contract expired. The Company continues to operate under this contract as a use period until it is reoffered and leased.
4.	Taif	Taif Municipality	Megacom	20	5 years	09/06/1437H (corresponding to 19 March 2016G)	08/06/1442H (corresponding to 2 January 20201G)	Megacom billboards with an advertising area not exceeding 3 m x 4 m, double-sided and lit	The contract expired. The Company continues to operate under the contracts as a use period until it is reoffered and leased.
5	Al-Ahsa	Al-Ahsa Municipality	Electronic	1	5 years	04/07/1437H (corresponding to 02 April 2016G)	03/07/1442H (corresponding to 18 November 2020G)		The contract expired on 03/07/1442H. The Company continues to operate under this contract as a use period. A new bid was submitted, won, and the new contract signed.
6	Ar Rass	Ar Rass Municipality	Mupi	20	5 years	24/03/1436H (corresponding to 15 January 2015G)	23/03/1441H (corresponding to 02 November 2019G)	Mupi billboards with an advertising area not exceeding 1.2m x 1.8m, double-sided and lit	The contract expired on 23/03/1441H. The Company is operating under the contract as a use period. A new bid was submitted, won and the new contract signed.

Source: The Company

Table (12-19): The Company's Existing Expired Contracts for Outdoor Advertising that the Company Continues to Operate under a Compensatory Period Granted by the Municipality as at 31 December 2020G

	Location	Lessor	Type of Billboards	Number of Billboards	Term of Contract	Contract Start Date	Contract End Date	Billboard Description	Notes
1	Jeddah	Jeddah Municipality	Mupi	651	5 years	23/01/1437H (corresponding to 5 November 2015G)	22/01/1442H (corresponding to 09 September 2020G)	Lit, double-sided Mupi billboards with an advertising space not exceeding 1.20m x 1.80m	The contract term ended on 22/01/1442H and the Company was granted a compensatory period of five months and three days because some billboards were removed due to road development projects. A bid was entered on these sites and lost.
2	Jeddah	Jeddah Municipality	Online	5	5 years	23/01/1437H (corresponding to 5 November 2015G)	22/01/1442H (corresponding to 09 September 2020G)	Lighted, double-sided Megacom billboards with an advertising area not exceeding 3m x 4m	The contract term ended on 22/01/1442H and the Company was granted a compensatory period of seven months and twenty-seven days because some billboards were removed due to road development projects. A bid was entered on these sites and lost.
			Pisa/Mezah	116					
			Tower	23					
			Megacom	416					
3	Riyadh	Riyadh Municipality	Pisa/Mezah	100	5 years	06/05/1436H (corresponding to 25 February 2015G)	05/05/1441H (corresponding to 31 December 2019G)		The contract term ended on 05/05/1441H and the Company was granted a compensatory period of one year because some billboards were removed due to road development projects. A bid was entered on these sites and won for a period of two years, currently awaiting the award procedures

Source: The Company

12-7-1-1 Overview of Secretariat Contracts

Most secretariats and municipalities in the Kingdom use a standard form for site lease agreements for billboards. As at the date of this Prospectus, the total value of contracts entered into by the Company with secretariats and municipalities is SAR 484 million. Below is a summary of the most important provisions of this contract, which the Company will conclude with the concerned secretariat or municipality upon being awarded the bid.

Parties to the Contract:

The contract is concluded between the Company (the "Investor") and the Ministry of Municipal, Rural Affairs and Housing, represented by the concerned secretariat or municipality.

Contract Duration:

The period of utilisation of the billboard sites is specified in the contract and ranges between one (1) to five (5) years. This period is divided as follows:

1) Preparation period: accounts for five percent (5%) of the contract period and is unpaid, starting from the date on which the Investor receives the site from the secretariat. This period is granted to the Investor to do the work necessary to prepare the site for its use.
2) Investment period: the period of site utilisation, which starts from the end of the preparation period until the end of the contract period.

As at 31 December 2020G, the Company has fourteen (14) expired contracts with secretariats and municipalities. For more details, see Table 12.7 ("**Existing Company Contracts for Outdoor Advertising Sites which are Expired as at 31 December 2020G**").

Main Obligations:

The Company's obligations under the contract include the construction of billboards in accordance with specific technical standards, maintenance of the billboards constructed by the Company, assumption of responsibility for delivering services such as connecting electricity to the billboards, return of the sites to their original condition before the conclusion of the contract, and not changing any of the billboard sites or assigning all or part of the contract (including subletting) without the prior approval of the secretariat or municipality. The Company also pledges not to publish any advertisement contrary to Islamic teachings and principles and not to use any of the billboards designated for secretariat announcements during the free period specified in the contract, accounting for 30% of the billboards rented, for no more than five (5) weeks per year for social, educational and social purposes and promotional campaigns, without charge. Moreover, the Company is committed to obtaining the necessary approvals from the competent authorities before installation of the billboards and prior to signing the contract, including traffic and civil defence.

Payment Method:

The annual financial costs (site fee, advertising fees, and electricity consumption fees) are paid to the secretariat or municipality in a lump sum at the beginning of each contractual year.

Contract Termination:

The concerned secretariat or municipality has the right to cancel the contract before the date of handing over the concerned site for planning reasons or the public interest, without the concerned secretariat or municipality paying any compensation to the Company except for refunding the first year's fee that the Company paid upon signing the contract.

The concerned secretariat or municipality has the right to terminate the contract after handing over the site in several cases, including if the Company breaches its duties and does not comply with its observations within fifteen (15) days from the date of its notification of the violation. As a guarantee that the Company will pay its dues and rent on time, the billboards installed by the Company at the leased sites will be deemed mortgaged to the secretariat.

Fines and Penalties:

The Company may be charged fines to be paid to the secretariat or municipality in accordance with the Fines and Penalties Regulations for Municipal violations issued under Council of Ministers Resolution No. (218), dated 06/08/1422H and Ministerial Circular No. (4/5367 FQ) dated 25/01/1423H as well as the implementing instructions, general provisions and procedures for controlling violations related to those regulations. If the regulations do not include any violations, the secretariat or municipality has the right to estimate the fine commensurate with the size of the violation in accordance with the schedule of fines shown in the contract document, which includes three (3) types of violations and the upper limit of the fine. These violations are: posting advertisements that are inconsistent with Islamic teachings and public morals, exceeding the advertising space specified for each façade and failure to remove the advertising material and hand over the site and faces in good condition at the end of the contract.

Governing Law:

All contracts pertaining to secretariat and municipalities shall be subject to the laws of the Kingdom of Saudi Arabia, and the Board of Grievances shall be competent to adjudicate the disputes arising from these contracts.

12-7-1-2 Contract Concluded with the Ministry of National Guard

On 18/05/1420H (corresponding to 29 August 1999G), the Company entered into a contract with the Social Club for the employees of the King Fahad National Guard Hospital Project in Riyadh (the "**Lessor**") of the Ministry of National Guard's Health Affairs Department, for the lease of fifty (50) sites for installation and operation of Mupi billboards at King Fahad National Guard Hospital. The annual value of the contract is SAR 100,000.

Contract Duration:

This contract shall be valid for a period of three (3) years commencing from the date of its conclusion. Such period shall be automatically renewed for one year unless one of the parties informs the other party of its desire to terminate the contract by written notice not less than thirty (30) days before the end of the original or extension period.

The contract was renewed with the same value and relevant terms. The contract expired on 31 December 2020G and was not renewed.

Payment Method:

The annual rent of one hundred thousand Saudi Riyals (SAR 100,000) shall be paid by the Company at the beginning of each lease year, and if any additional billboard or billboards are added during the validity period of the contract, their rental value shall be determined on a monthly basis (calculated on a pro-rata basis in relation to the total annual rent). In the event that one of the parties wishes to increase the number of billboards covered by this contract, it shall notify the other party of its desire by way of written notification agreed to by the other party.

Contract Termination:

The Lessor may terminate this contract for any reason it deems appropriate by submitting a notice to the Company thirty (30) days prior to the actual termination date. If the contract is terminated in this way, the Lessor shall refund a portion of the lease value to the Company in proportion to the part that has not been collected from the lease year. The Lessor shall have the right to terminate the contract in the event that the Company breaches any of the terms or conditions of the contract, by submitting a written warning to the Company giving it fifteen (15) days to correct the situation.

Governing Law:

This contract shall be subject to the laws of the Kingdom of Saudi Arabia, and all disputes arising from its implementation or interpretation shall fall within the limits of the Kingdom's jurisdiction.

12-7-1-3 Site Lease Agreements with the Jeddah Development and Urban Regeneration Company

On 23/01/1432H (corresponding to 29 December 2010G), the Company signed two exclusive contracts (listed under Section 12.7.1 ("**Contracts for Outdoor Advertising Sites**")) with the Jeddah Development and Urban Regeneration Company owned by the Jeddah Governorate Municipality. These two contracts do not follow the model for lease agreements for advertising sites used by the secretariat and municipalities. As Jeddah Development and Urban Regeneration Company for Developing and Operating Industrial Cities has an independent legal personality, it is not subject to the Government Tenders and Procurement Law issued by Royal Decree No. M/128 dated 13/11/1440H. The procedures for awarding these two contracts were carried out according to two tenders issued by the Jeddah Development and Urban Regeneration Company, in accordance with the Articles of Association of this company. These two contracts give the company to which the bid is awarded the exclusive right to invest in certain types of billboards in all areas of Jeddah.

The main terms and conditions for these two contracts are summarised as follows:

1) **Megacom Billboard Contract:** A contract for the lease of 1,065 sites to set up Megacom advertising billboards in line with the agreed specifications, provided that the installation period of all billboards does not exceed twelve (12) months from the date of signing the contract. Under this contract, the Jeddah Urban Development and Urban Regeneration Company granted the Company an exclusive concession regarding Megacom billboards, as it pledged not to lease any other party sites to set up this type of advertising billboards. The contract validity period extends to five Hijri years, starting from 23/01/1423H (corresponding to 29 December 2010G), renewable for another similar period upon agreement of the two parties, in accordance with the relevant conditions.

   The Company has agreed with the Jeddah Development and Urban Regeneration Company to pay the Company the amount of SAR 102 million as an annual rent allowance and the amount of SAR 30 million as fees in exchange for the exclusive concession granted to the Company (paid once for the duration of the contract) to the Jeddah Development and Urban Regeneration Company. In addition, the Company shall pay an annual advertising fee of SAR 200 per square meter of advertising space for the billboards covered by this contract. The obligations of Al Arabia Company under this contract include carrying out all types of maintenance such as preventive maintenance, corrective maintenance and the delivery of electricity to the leased sites.

   Jeddah Development and Urban Regeneration Company shall have the right to terminate the contract during its validity period without notice in the following cases: (1) in the event of a bribe, gift or grant, (2) in the event of bankruptcy or liquidation of the Company, (3) in the event that the Company delays the operation of the leased sites according to the periods stipulated in the contract, (4) in the event that the Company withdraws from work or waives the contract without written permission, (5) in the event that a government agency takes possession of leased sites for the public interest, or (6) if the Company breaches the terms of the contract without remedy within ninety days (90) from the date of its notification of such breach. In these cases, the Company is not entitled to claim any of the sums paid by it under this contract.

   Upon expiry or termination of the contract, ownership of the facilities shall revert to Jeddah Development and Urban Regeneration Company. This contract shall be subject to the laws of the Kingdom of Saudi Arabia, and the courts of the city of Jeddah shall be the competent authority to adjudicate any dispute between the parties.

2) **Mupi Billboard Contract:** A contract for the lease of 1,665 sites to set up Mupi advertising billboards in line with the agreed specifications, provided that the installation period of all billboards does not exceed twelve (12) months from the date of signing the contract. Under this contract, the Jeddah Development and Urban Regeneration Company granted the Company an exclusive concession regarding Mupi billboards, as it pledged not to lease any other party sites to set up this type of advertising billboards. The contract validity period extends to five Hijri years, starting from 23/01/1423H (corresponding to 29 December 2010G), renewable for another similar period upon agreement of the two parties, in accordance with the relevant conditions.

   The Company has agreed with the Jeddah Development and Urban Regeneration Company to pay the Company the amount of SAR 32.1 million as an annual rent allowance and the amount of SAR 20 million as fees in exchange for the exclusive concession granted to the Company (paid once for the duration of the contract) to the Jeddah Development and Urban Development Company. In addition, the Company shall pay an annual advertising fee of SAR 200 per square meter of advertising space for the billboards covered by this contract. The obligations of Al Arabia Company under this contract include carrying out all types of maintenance such as preventive maintenance, corrective maintenance and the delivery of electricity to the leased sites.

   Jeddah Development and Urban Regeneration Company shall have the right to terminate the contract during its validity period without notice in the following cases: (1) in the event of a bribe, gift or grant, (2) in the event of bankruptcy or liquidation of the Company, (3) in the event that the Company delays the operation of the leased sites according to the periods stipulated in the contract, (4) in the event that the Company withdraws from work or waives the contract without written permission, (5) in the event that a government agency takes possession of leased sites for the public interest, or (6) if the Company breaches the terms of the contract without remedy within ninety (90) days from the date of its notification of such breach. In these cases, the Company is not entitled to claim any of the sums paid by it under this contract.

Upon expiry or termination of the contract, ownership of the facilities shall revert to Jeddah Development and Urban Regeneration Company. This contract shall be subject to the laws of the Kingdom of Saudi Arabia, and the courts of the city of Jeddah shall be the competent authority to adjudicate any dispute between the parties.

On 15/04/1436H (corresponding to 04 February 2015G) the Company and the Jeddah Development and Urban Regeneration Company agreed to extend the two contracts mentioned above for an additional period of five Hijri years starting from 23/01/1437H (corresponding to 05 November 2015G). In accordance with this extension, the two companies have agreed on the following amendments to the current provisions of the two aforementioned contracts, which will come into effect at the beginning of the extension period (i.e., on 23/01/1437H (corresponding to 05 November 2015G)):

1. Reducing the number of billboards included in the contract for Megacom Billboards from 1,065 to 799 panels and increasing the annual rental allowance under this contract from the amount of SAR 102 million to the amount of SAR 127.5 million and increasing the fees for the exclusive franchise granted to the Company from SAR 30 million to SAR 37.5 million.
2. Reducing the number of billboards included in the contract for Mupi Billboards from 1,665 to 1,249 panels and increasing the annual rental allowance under this contract from the amount of SAR 32.1 million to the amount of SAR 40.125 million and increasing the fees for the exclusive franchise granted to the Company from SAR 20 million to SAR 25 million.
3. The Company changing the sites of some of its billboards covered by these two contracts to other locations, provided that the Company finishes these works before the beginning of the extension period (i.e., 23/01/1437H (corresponding to 05 November 2015G)). In the event that the Company does not complete these works within the agreed upon period, Jeddah Development and Urban Regeneration Company will have the right to impose late penalties on the Company.
4. The Company accepting the transfer of its billboard sites from locations where there are projects or development works to other alternative sites to be determined in a timely manner by the Jeddah Development and Urban Regeneration Company, and
5. The Company waiving the financial compensation payable thereto by Jeddah Development and Urban Regeneration Company, which represents the value of the rents that the Company has paid for sites where it was unable to install a number of billboards due to Jeddah Governorate projects or works. These considerations include the following amounts:

   – SAR 25.4 million for the period from 23/01/1432H to 20/07/1433H as compensation for the removal of billboards, which the Jeddah Development and Urban Regeneration Company deducted from the annual rent.

   – SAR 48.4 million for the period from 21/07/1433H to 21/11/1435H.

   – SAR 30.2 million for the period until the expiry of the contract on 23/01/1437H (corresponding to 05 November 2015G).

Accordingly, the total amount of settlements agreed upon with Jeddah Development and Urban Regeneration Company for renewing both contracts is SAR 104 million. The full amount of SAR 104 million has been charged as an increase to the rental value of the two contracts after renewal to be charged to future lease costs that are not yet due. The amount shall be equally divided over the full terms of both new contracts of five years starting from 23/01/1437H (corresponding to 05 November 2015G), which equals an annual amount of SAR 20.8 million.

On 18/11/1438H (corresponding to 10 August 2017G), the Company and the Jeddah Development and Urban Regeneration Company agreed to modify work sites and reduce the contract's scope of work by reducing the number of advertising billboards and reducing the value of the contract as follows:

1. Reducing the rental value of the Mupi contract annually, starting from the second lease year of the extended term and the seventh year of the contract term, which starts on 23/01/1438H (corresponding to 24 October 2016G) and ends on 22/01/1442H (corresponding to 10 September 2020G); accordingly, the total rental value and the exclusive concession for the last four years of the contract shall be SAR 87.69 million (exclusive of advertising fees), and
2. Reducing the rental value of the Megacom contract annually, starting from the second lease year of the extended term and the seventh year of the contract term, which starts on 23/01/1438H (corresponding to 24 October 2016G) and ends on 22/01/1442H (corresponding to 10 September 2020G); accordingly, the total rental value and the exclusive concession for the last four years of the contract shall be SAR 317.32 million (exclusive of advertising fees).

These contracts were renewed for a further five Hijri years starting from 23/01/1437H (corresponding to 05 November 2015G). The Company has started discussions with Jeddah Development and Urban Regeneration Company to renew those contracts for a further five years (the extension period set out in those contracts) at least a year before the end of their terms. This is on account that both parties showed readiness to accept this extension when discussing their final financial settlement for the first five years, which started before the Company paid the annual rent of the last year according to those contracts (which are due as at the beginning of the year).

On 01/09/1440H (corresponding to 06 May 2019G), Jeddah Development and Urban Regeneration Company waived the Megacom contract and the Mupi contract to Jeddah Municipality, which is the owner of the billboard sites that are the subject of the contracts.

As at 31 December 2020G, both contracts have expired and the company continues to operate under these contracts as a use period, until the new contracts are awarded.

12-7-1-4 ASAS for Developing and Operating Industrial Cities Contract

On 04/12/1434H (corresponding to 08 October 2013G), the Company entered into a contract with ASAS for Developing and Operating Industrial Cities (the "Lessor") to rent sites for the purpose of establishing and investing in advertising sites in the Industrial City in Riyadh. ASAS for Developing and Operating Industrial Cities is assigned by the Saudi Authority for Industrial Cities and Technology Zones to manage and operate the Industrial City in Riyadh. As ASAS for Developing and Operating Industrial Cities has an independent legal personality, it is not subject to the Government Tenders and Procurement Law issued by Royal Decree No. M/128 dated 13/11/1440H.

The contract term is five (5) Hijri years, starting from 03/12/1434H (corresponding to 03 October 2013G). The contract term may be extended to other similar periods, provided that such extension is agreed upon by the two parties at least thirty (30) days before the expiry of the contract term. The Company will act upon this contract as a utilisation period until it is subleased.

The annual rental value of the contract amounting to one hundred twenty Saudi Riyals (SAR 120,000) is paid in two payments (one payment every six months). In the event that the Company, for any reason, desires to vacate the leased sites before the end of the contract term, it shall not be entitled to recover the rent for the remaining term of the current year without the approval of the Lessor.

This contract is subject to the laws of the Kingdom of Saudi Arabia.

12-7-1-5 Riyadh Development Company Contract

On 11/07/1424H (corresponding to 08 September 2003G), the Company entered into a contract with the Riyadh Development Company (the "Lessor") to lease its sites located outside the Riyadh Public Transport Centre for the purpose of constructing and investing in outdoor advertising media at these sites.

The contract term is five (5) Hijri years, and the contract takes effect after the end of a preparation period of ninety (90) days, starting on 11/07/1424H. The contract may be extended for other similar periods, provided that such extension is agreed upon at least three (3) months before the expiry of the contract term. As at 31 December 2020G, the contract was still effective and is renewed periodically with the same value and conditions. The contract will expire on 10/09/1443H (corresponding to 14 March 2022G). The annual rental value of SAR 1,124,500 shall be paid ninety (90) days prior to the beginning of each year throughout the contract term.

The Lessor shall provide the Company with the electrical energy required to operate the billboards. The Company shall maintain the billboards and bear all expenses resulting from maintenance during the contract term.

The contract may be terminated by mutual agreement of the parties. The lessor shall have the right to terminate the contract unilaterally where the Company is late in paying the rental amount due, where it violates any of the terms of the contract and does not remedy such violation within fifteen (15) days from the date the Company is notified in writing by the Lessor or if it assigns the contract to a third party without the consent of the Lessor. In the event that the Lessor terminates the contract for any of these reasons, the Company shall have to pay the rent amount due until the end of the contract term. In addition, the Company does not have the right to claim any compensation from the Lessor as a result of this termination.

This contract is subject to the laws of the Kingdom of Saudi Arabia

12-7-1-6 Festival Markets Contracts

On 26/02/1426H (corresponding to 05 April 2005G), the Company entered into two contracts with the Muhammad Bin Rashid Deil Establishment (Festival Markets Management). Under this contract, the Company leases sites to be used for the purpose of constructing and investing in advertising media, including Megacom and Pisa billboards, in the Festival Markets in Riyadh.

The term of both contracts is five (5) Gregorian years, starting from 08/05/1426H (corresponding to 15 June 2005G). Both contracts are automatically renewable for a similar period unless one of the parties notifies the other of its intent not to renew the contract at least three (3) months before the end of the current term.

The two contracts were renewed on 03/07/1431H (corresponding to 15 June 2010G), 28/08/1436H (corresponding to 15 June 2015G), and 23/10/1441H (corresponding to 15 June 2020G), respectively, with the same value and terms. The two contracts will expire on 19/12/1446H (corresponding to 14 June 2025G).

The annual rental value of the two contracts of one hundred sixty-two thousand, five hundred Saudi Riyals (SAR 162,500) is settled in two payments (one payment every six months). If the Company terminates the two contracts during their term, it shall pay the rental amount for the remaining period until the end of the contracts.

The lessor shall obtain the necessary regulatory licenses from the municipalities to install the billboards, provided that the Company bears the related fees and costs. The lessor shall also provide the Company with the electrical energy required to operate the billboards. The Company shall maintain the billboards and bear all expenses resulting from maintenance during the contract term.

This contract is subject to the laws of the Kingdom of Saudi Arabia.

12-7-1-7 Saudi Authority for Industrial Cities and Technology Zones Contract

On 25/04/1435H (corresponding to 25 February 2014G), the Company entered into a contract with the Saudi Authority for Industrial Cities and Technology Zones (the "Lessor") for the purpose of renting billboard sites in five (5) industrial cities located in Riyadh, Dammam, Qassim, Mecca and Madinah.

The contract term is five (5) Hijri years, starting from 11/07/1435H (corresponding to 11 May 2014G). As at 31 December 2020G, the contract term had expired and the billboards were removed.

The annual rental value of the contract of two million Saudi Riyals (SAR 2,000,000) is settled in two payments (one payment every six months). The contract provides that upon the expiry of the term, all billboards under such contract shall be transferred to the Lessor unless the Lessor requests the Company to remove and hand over the sites without billboards and in a usable condition.

This contract is subject to the laws of the Kingdom of Saudi Arabia.

12.7.2 Contracts for Indoor Advertising Sites

In 2019G, the Company expanded the scope of its business by entering the advertising market within commercial centres. In this regard, the Company entered into a number of exclusive contracts with the owners of commercial centres in different regions of the Kingdom. As at 31 December 2020G, the Company has concluded eight (8) contracts with a total value of SAR 17,290,000.

The following table illustrates the main details of these contracts:

Table (12-20): Existing Company Contracts for Indoor Advertising Sites as at 31 December 2020G

	Type of Agreement	Site/ Project	Principal/ Lessor	Product/Services Offered	Term of Contract	Contract Start Date	Contract End Date	Key Contract Terms
1.	Exclusive Advertising Agency Agreement	Al-Manakhah Project in Madinah	Al-Manakhah Urban Project Company	Selling and marketing commercial advertisements on all advertising media inside and around the Al-Manakhah Project in Madinah	15 years	01 July 2019G	01 July 2034G	• An agreed percentage of net sales are distributed on a quarterly basis.
2.	Advertising Screen Agreement for The Zone	The Zone in Riyadh	Numu Company Ltd.	Supplying and installing 10 2 m x 3 m digital screens Selling and marketing commercial advertisements on all screens installed inside the Project	4 years	01 October 2019G	01 October 2023G	• Proceeds and sums of money from advertising sales are distributed on all advertising screens, less discounts granted to clients, according to the invoices executed by Numu Company Ltd. on a monthly basis. • The contract is not renewable.
3.	Event and Promotion Agreement for The Zone	The Zone mall in Riyadh	Numu Company Ltd.	Supplying and installing all materials needed to hold any event, festival, or commercial and promotional activity Providing maintenance work for the installed materials Attracting companies, institutions and bodies that need to carry out events, festivals, or commercial and promotional activities	4 years	01 October 2019G	01 October 2023G	• Proceeds and sums of money from advertising sales are distributed on all advertising screens, less discounts granted to clients, according to the invoices executed by Numu Company Ltd. on a monthly basis. • The contract is not renewable.
4.	Agreement to Supply and Operate Digital Advertising Screens	Diplomatic Quarter in Riyadh	Diplomatic Quarter General Authority*	Developing digital media and billboards, selling and marketing advertisements in 24 sites (6 sites for 4 × 3 billboards and 18 sites for 2 × 3 billboards)	15 years	17 October 2019G	17 October 2034G	• The Company shall pay the amounts specified in the contract to the Diplomatic Quarter General Authority in exchange for the right to use the advertising media, subject of the agreement.

	Type of Agreement	Site/ Project	Principal/ Lessor	Product/Services Offered	Term of Contract	Contract Start Date	Contract End Date	Key Contract Terms
5.	Lease Agreement	Shopping Front Project, Plot No. 1 in Riyadh	Riyadh Front Company Ltd.**	Renting, operating and maintaining all advertising billboards at the leased sites	10 years	01 January 2021G	01 January 2031G	• The Company is obligated to pay the contract value on an annual basis. • The contract is not renewable.
6.	Lease Agreement	Riyadh Park	International Real Estate Investment Company Ltd.***	Installing 48 billboards of various types Managing and operating sites that are rented to conduct advertising activity	5 years	01 May 2019G	01 May 2024G	• The annual rent is paid in two equal instalments at the beginning of each six months of the contractual year. • The contract is not renewable.
7.	Lease Agreement	Tabuk Park	Reyof Tabuk Park Company****	Installing 28 billboards of various types Managing and operating sites that are rented to conduct advertising activity	5 years	01 May 2019G	01 May 2024G	• The annual rent is paid in two equal instalments at the beginning of each six months of the contractual year. • The contract is not renewable.
8.	Lease Agreement	Danube Supermarket – Mall Danube Supermarket – Hayat Mall Danube Supermarket – Hayat Mall Danube Supermarket – Panorama Mall	Danube Company for Food Stuff and Commodities	Installing 36 LED screens distributed in 18 points in the supermarket	3 years	15 March 2020G	15 March 2023G	• The total amount is to be paid in two advance payments. • The contract is not renewable.
Total value of indoor advertising contracts sites SAR 17,290,000.								

Source: The Company

* Under this contract, the Company is obligated to enable the Diplomatic Quarter General Authority the other party to use billboards valued at SAR 3 million annually free of charge, and shall grant it 20% of the total number of advertising billboards in the Diplomatic Quarter daily for social marketing, awareness raising, or for promotional campaigns.

** In this contract, the Company is obligated to enable Riyadh Front Company Ltd. To use 20% of the total number of billboards annually free of charge.

*** In this contract, the Company is obligated to grant International Real Estate Investment Company Ltd. marketing advertisements valued at SAR 2 million.

**** In this contract, the Company is obligated to grant Reyof Tabuk Park Company marketing advertisements valued at SAR 500,000.

12.7.3 Share Sale and Purchase Agreement

On 24 April 2020G, the current shareholder, Abdelellah Abdulrahman Alkhereiji, concluded a share sale and purchase agreement with MBC Group Holdings Ltd. to sell 2,500,000 shares of the Company, representing 5% of the Company's capital. The completion of the agreement depends on a number of conditions, including the conclusion of a shareholders agreement and the appointment of a member of to the Company's Board of Directors by MBC Group Holdings Ltd. The conditions have been met and the sale and purchase of shares was completed as at the date of this Prospectus.

12.7.4 Shareholders Agreement

Based on the share sale and purchase agreement concluded between Abdelellah Abdulrahman Alkhereiji and MBC Group Holdings Ltd. On 24 April 2020G, the current shareholder Abdelellah Abdulrahman Alkhereiji sold 5% of the Company's capital to MBC Group Holdings Ltd. On 28 July 2020G, Abdelellah Abdulrahman Alkhereiji, Engineer Holding Group Company, and MBC Group Holdings Ltd., in their capacity as shareholders of the Company entered into a shareholders agreement. Such agreement preserves the rights and duties of shareholders with regard to the management, operation and supervision of the Company and regulates issues related to the Company's capital, shareholder meetings and formation of the Board of Directors, transfer of shares, share offering, confidentiality, agreement termination, applicable law and dispute resolution.

Upon the Authority's approval of the Company's listing, all provisions contained in the shareholders agreement will be suspended, with the exception of those contained in paragraphs 12.7.4.2.2 ("Pre-emption Rights") and 12.7.4.2.3 ("Purchase Option of MBC Group Holdings Ltd") mentioned below.

Appointment of the Board of Directors

12-7-4-1 Transfer of Shares

The shareholders agreement provides for a number of restrictions on the sale and transfer of shares. No current shareholder may sell or transfer any shares except in the following cases:

12-7-4-1-1 Transfer or Sale to Approved Transferees

A shareholder may transfer all (not some) of its shares to any of its affiliates (the "**Approved Transferee**"), and the Approved Transferee may transfer those shares and/or securities to the relevant transferor or to any other Approved Transferee after notifying all shareholders of the identity of the Approved Transferee, how it is considered an approved transferee, and the number of shares transferred, at least ten (10) business days prior to the completion of the transfer. If an Approved Transferee ceases to be an Approved Transferee for any shareholder, they are not entitled to exercise any rights related to their shares, and shall immediately transfer their shares to the original shareholder or any other Approved Transferee for such shareholder.

12-7-4-1-2 Pre-Emptive Rights

If Engineer Holding Group Company or MBC Group Holdings Ltd. (the "**Transferring Shareholder**") desires to transfer all or part of its shares ("**Transfer Shares**") to any person other than an Approved Transferee (the "**Proposed Transferee**"), then it shall first submit a written notice ("**Notice of Right of Pre-emption**") to MBC Group Holdings Ltd. or Engineer Holding Group Company (as the case may be) (the "**Other Shareholde**r"), provided that a copy thereof is submitted to the Chairman of the Board of Directors. The Notice of Right of Pre-emption must:

a. offer the Transfer Shares as a whole (not in part) for sale to the Other Shareholder, for cash and at the price proposed by the Transferring Shareholder (the "**Offer Price**"), and in accordance with such terms and conditions as may be proposed by the Transferring Shareholder;
b. specify the period during which the offer to sell the Transfer Shares to the Other Shareholder remains valid for their acceptance, not to exceed thirty (30) calendar days from the date on which the Notice of Right of Pre-emption is received from the Other Shareholder (the "**Acceptance Period of Right of Pre-emption**"); and
c. specify the identity of the Proposed Transferee who intends, in good faith, to acquire shares from the Transferring Shareholder.

Upon receiving the Notice of Right of Pre-emption, the Other Shareholder may either send a written notice ("**Acceptance Notice**") to the Transferring Shareholder during the Acceptance Period of Right of Pre-emption, declaring their full acceptance of the offer to acquire the entire Transfer Shares set forth in the Notice of Right of Pre-emption, or refusing the offer contained in the Notice of Right of Pre-emption. If the Other Shareholder does not respond to the Notice of Right of Pre-emption during the Acceptance Period of Right of Pre-emption, they will be deemed to have rejected the offer upon the expiration of said period.

If the Other Shareholder sends an Acceptance Notice, that Acceptance Notice will be irrevocable. Transfer Shares shall be transferred no later than fifteen (15) business days after the date of the said Acceptance Notice (or any other period as may be agreed upon by the parties). If the Other Shareholder refuses or is deemed to be abstaining from accepting the offer to acquire the Transfer Shares, then the Transfer Shareholder will be entitled to sell the Transfer Shares to the Proposed Transferee, provided that:

a. the binding sale and purchase documents are concluded within six (6) months from the expiration of the Acceptance Period of Right of Pre-emption; and

b. the sale shall be made in return for cash compensation not less than the Offer Price, and under the same or better terms and conditions set forth in the Notice of Right of Pre-emption.

c. If the Transferring Shareholder does not sign binding sale and purchase documents regarding any sale of the Transfer Shares to the Proposed Transferee, within six (6) months from the period expiration of the Notice of Right of Pre-emption, then the sale of the Transfer Shares may be made only if the Transferring Shareholder sends another Notice of Right of Pre-emption in accordance with the mechanism described above.

12-7-4-1-3 Purchase Option of MBC Group Holdings Ltd.

MBC Group Holdings Ltd., whose address is in Dubai, UAE, P.O. Box 72627, shall have the right to acquire from Engineer Holding Group Company shares equivalent to fifteen percent (15%) of the total Company shares issued at the time of exercising the purchase option right (the "**Purchase Option**"). MBC Group Holdings Ltd. may exercise the Purchase Option one time only. The Purchase Option shall be exercisable from the date of the CMA's approval of the listing or on 01 January 2021G for a period of three (3) years (not counting the Lock-up Period) (for further information, see Section 18.7 ("**Lock-up Period**"). After 01/01/2024G (plus the Lock-up Period) MBC Group Holdings Ltd.'s Purchase Option will expire.

Transfer Due to an Event of Default

An event of default ("**Event of Default**"), occurs in relation a shareholder, in the following cases:

a. If that shareholder has seriously breached any of its obligations under the shareholders agreement or the Bylaws, and that breach remained uncorrected for a period of more than fifteen (15) business days starting from the date on which that shareholder is notified of that breach by: (1) the Company, or (2) any other shareholder.

b. If that shareholder is subject to insolvency.

c. With regard to Engineer Holding Group Company only, if there is a change in the Company's control without it obtaining the prior written approval of MBC Group Holdings Ltd.

In the case of an event of default by any shareholder, such shareholder shall become a "negligent party". The defaulting party shall provide written notice to the other shareholders and the Company stating that it is a defaulting party. Any non-defaulting party may give written notice to the defaulting party and the Company that such shareholder is a defaulting party ("**Even of Default Notice**").

A non-defaulting party may, 180 days after an Event of Default Notice, submit a written notice to the other shareholders and the Company requesting that the fair market value of the Defaulting Party's shares be determined. Upon written notice (the "**Purchase Notice**"), the non-defaulting party may, 30 days after determining the fair market value of the shares of the defaulting party:

a. If the non-defaulting party is MBC Group Holdings Ltd., the defaulting party may be required to acquire all the shares owned by MBC Group Holdings Ltd. according to the fair market value or, if the Purchase Notice is issued after the listing, according to the closing price of the shares.

b. If the non-defaulting party is Engineer Holding Group Company or Abdelellah Abdulrahman Alkhereiji, the defaulting party may be required to sell all the shares it owns to the shareholders in Engineer Holding Group Company or Abdelellah Abdulrahman Alkhereiji, according to the fair market value or the closing price of the shares if the Purchase Notice is issued after listing.

An event of default shall be deemed to have lapsed if the Purchase Notice is not provided within 30 days after the determination of the fair market value of the Defaulting Party's shares.

12.7.5 Other Material Contracts

The Company entered into an exclusive license agreement with Seventh Decimal FZ LLC on 18 December 2019G to obtain exclusive rights to use the Streach platform. This platform provides data and indicators that enable the Company to measure the impact of outdoor advertising on consumers.

The contract value is SAR 1.8 million annually, and the Company pays fees in advance on a semi-annual basis within 10 business days from the date the invoice is received.

The term of the agreement is three years, starting on 03 February 2020G, The agreement may be renewed for a similar period, subject to the written consent of the two parties.

Either of the parties are entitled to terminate the agreement prior to the end of its term in any of the following cases: (1) if the other party fails to remedy any material violation of the terms of the agreement within 14 days from the date of its written notification thereof; (2) if the other party is subject to insolvency or bankruptcy proceedings or if its assets are seized; (3) if the other party is subject to any other procedures for settling its debts; (4) if the other party makes an assignment for the benefit of creditors; (5) if the other party is declared bankrupt or liquidated; or (6) at any time for no reason by a 60-day notice.

The agreement is governed by the laws of Saudi Arabia.

12.8 Credit Facilities

The Company has entered into six (6) financing agreements for its business purposes. The total value of financing agreements with commercial banks amounted to SAR 865,000,000 as at the date of this Prospectus.

The following table summarises the financing agreements with commercial banks:

Table (12-21): Table 12.21: Financing Agreements with Commercial Banks

No.	Bank Name	Date of Agreement	Maximum Financing (SAR)
1.	Saudi British Bank[14]	17/03/1441H (corresponding to 14 November 2019G) as amended on 21/07/1441H (corresponding to 16 March 2020G)	SAR 280,000,000
2.	The Saudi Investment Bank	20/07/1440H (corresponding to 27 March 2019G) as amended on 20/12/1441H (corresponding to 10 August 2020G)	SAR 100,000,000
3.	Arab National Bank	10/04/1440H (corresponding to 17 December 2018G) as amended on 07/12/1441H (corresponding to 28 July 2020G)	SAR 70,000,000
4.	Bank Albilad	26/04/1441H (corresponding to 23 December 2019G)	SAR 195,000,000
5.	Banque Saudi Fransi	30/11/1438H (corresponding to 22 August 2017G) as amended on 19/09/1441H (corresponding to 12 May 2020G)	SAR 160,000,000
6.	Riyad Bank	04/01/1442H (corresponding to 23 August 2020G)	SAR 60,000,000

Source: The Company

Following is a summary of the financing agreements entered into by the Company and a number of local banks:

12.8.1 Bank Facility Agreement with Saudi British Bank (SABB)

The Company entered into a bank facility agreement with SABB on 17/03/1441H (corresponding to 14 November 2019G) and the facilities were amended and increased on 21/07/1441H (corresponding to 16 March 2020G). The agreement was renewed on 08/11/1441H (corresponding to 29 June 2020G) to obtain facilities of SAR 280,000,000, and it expires on 31 May 2021G.

14 The agreement with Alawal Bank was transferred to Saudi British Bank.

Table (12-22): Terms of Bank Facility Agreement between the Company and SABB Dated 28/11/1441H (Corresponding to 29 June 2020G)

<table>
<tr><td rowspan="1">Total Facilities</td><td colspan="2">1- SAR 80,000,000
2- SAR 50,000,000
3- SAR 50,000,000
4- SAR 100,000,000
Total: SAR 280,000,000</td></tr>
<tr><td>Date of Agreement</td><td colspan="2">08/11/1441H (corresponding to 29 June 2020G)</td></tr>
<tr><td>1- Joint Facilities</td><td colspan="2">SAR 80,000,000</td></tr>
<tr><td rowspan="8">a) Funding Letters of Credit by Murabaha (At- Sight/ Forward/Category-Based)</td><td>Facility limit</td><td>SAR 80,000,000 for the total credits to be opened or funded</td></tr>
<tr><td>Purpose</td><td>To import materials for the Company's activities</td></tr>
<tr><td>Purpose of Murabaha Financing</td><td>To fund imports under LCs and collection bills, and procurements under open accounts</td></tr>
<tr><td>Maximum Availability Period</td><td>180 days for deferred payment credits</td></tr>
<tr><td>Term of each Murabaha Transaction</td><td>Not more than 180 days from the date of the customer's purchase from SABB, and not less than 90 days in case of at sight LC</td></tr>
<tr><td>Credit Opening Costs</td><td>SAMA tariff + 0.6% annually (the issuance fee is the tariff approved by SAMA in addition to the administrative fees related to each transaction)</td></tr>
<tr><td>Profit Margin</td><td>The price is calculated on the basis of an additional margin of (SAIBOR +1.5% per annum) on the total purchase cost of minerals/commodities when selling to the Company under the Murabaha sales contract for each Murabaha sale.</td></tr>
<tr><td>Security</td><td>Goods ownership documents executed in the name of the bank</td></tr>
<tr><td rowspan="3">b) Shipping Guarantees (Within the LC Facility Limit No. 1-a)</td><td>Sub-Limit</td><td>SAR 80,000,000</td></tr>
<tr><td>Purpose</td><td>To issue shipping guarantees for the clearance of goods in the case of delayed arrival of the original bill of lading relating to LCs issued by SABB only and collection papers received by SABB only</td></tr>
<tr><td>Guarantee Issuance Costs</td><td>A minimum of SAR 500 per guarantee</td></tr>
<tr><td rowspan="7">c) Initial/Final Performance Bonds</td><td>Sub-Limit</td><td>SAR 80,000,000</td></tr>
<tr><td>Purpose</td><td>To issue guarantees for sites with MOMRAH (for government and quasi-governmental entities)</td></tr>
<tr><td rowspan="2">Max Term</td><td>Initial term: 1 year</td></tr>
<tr><td>Final term: 5 years</td></tr>
<tr><td rowspan="2">Guarantee issuance costs</td><td>Initial term: SAMA tariff +0.6% per annum</td></tr>
<tr><td>Final term: SAMA tariff +0.7% per annum</td></tr>
<tr><td>Guarantee issuance costs</td><td>SAMA tariff +0.6% per annum</td></tr>
</table>

d) (One-Time) Performance Bonds (Within the Above Guarantee Facility Limit No. (1-c)	**Sub-Limit**	SAR 340,000
	Purpose	To issue performance bonds for JDURC
	Max Term	5 years
	Guarantee issuance costs	SAMA tariff + 0.6% annually (the issuance fee is the tariff approved by SAMA in addition to the administrative fees related to each transaction)
	Cash insurance	10%
		Irrevocable assignment of contract payments to a party endorsed/confirmed by the project owner and acceptable to the bank regarding performance bonds. In this regard, upon submitting a request to the bank to issue performance bonds, the Company shall provide the bank with a letter of assignment of the payments according to such form as may be approved by the bank regarding the assignment of contract payments in favour of the bank.
e) (One time) Miscellaneous Guarantees	**Sub-limit**	1,060,000
	Maximum period	3 years
	Purpose	Issuance of guarantees for the Company's business
f) Joint Facilities (Sister Companies' Facilities)	**Joint Facility Limit**	SAR 15,000,0000
1.f.1 Funding Letters of Credit by Murabaha (At- Sight/Forward/Category-Based)	**Sub-Limit**	SAR 15,000,000 for the total credits to be opened or funded
	Purpose	To import materials for the Company's activities
	Purpose of Murabaha Financing	To fund imports under LCs and collection bills and procurements under open accounts
	Maximum Availability Period	180 days for the deferred payment credits
	Term of Each Murabaha Transaction	Not more than 180 days from the date of the customer's purchase from SABB, and not less than 90 days in case of at sight LC
	Credit Opening Costs	SAMA tariff + 0.6% annually (the issuance fee is the tariff approved by SAMA in addition to the administrative fees related to each transaction)
	Profit Margin	The price is calculated on the basis of an additional margin of (SAIBOR +1.75% per annum) on the total purchase cost of minerals/commodities when selling to the client under the Murabaha sales contract for each Murabaha sale.
	Security	Goods ownership documents executed in the name of the bank
1.f.2 Bid and Performance Bonds and Advance Payments	**Sub-Limit**	SAR 15,000,000
	Purpose	To issue guarantees relating to the Company's activity
	Maximum Period for Bid Bonds	1 year
	Performance Bonds/Advance Payments	5 years
	Guarantee issuance costs	Initial term: SAMA tariff +0.6% per annum
		Final term: SAMA tariff +0.7% per annum
		Down payment: SAMA tariff +0.8% annually (the issuance fee is the tariff approved by SAMA in addition to the administrative fees related to each transaction)
The outstanding balance of joint facilities under item 1 should not at any time exceed SAR 80,000,000 and under clause 1.f SAR 15,000,000.		

2- Murabaha/Tawarruq Facility for Metals	Joint Facility Limit	SAR 50,000,000
	Purpose	To cover the rental expenses of the sites (100% of the payments due)
	Term of Each Murabaha Transaction	Not more than 270 days from the date of the customer' s purchase from SABB, and not less than 30 days.
	Margin	The price is calculated on the basis of an additional margin of (SAIBOR +1.50% per annum) on the total purchase cost of minerals/commodities when selling to the client under the Murabaha sales contract for each Murabaha sale.
3- Murabaha/Tawarruq Facility for Metals	Facility Limit	SAR 50,000,00
	Purpose	To cover the rental expenses of the sites (100% of the payments due)
	Term of Each Transaction	Not more than 270 days from the date of the customer's purchase from SABB, and not less than 30 days
	Margin	The price is calculated on the basis of an additional margin of (SAIBOR +1.75% per annum) on the total purchase cost of minerals/commodities when selling to the client under the Murabaha sales contract for each Murabaha sale.
4- One-time Bid Bonds	Sub-Limit	SAR 100,000,00
	Purpose	To issue guarantees for the benefit of Riyadh Municipality
	Term of Each Transaction	Not more than 270 days from the date of the customer's purchase from SABB, and not less than 30 days.
	Maximum Period	1 year
	Credit Opening Costs	SAMA tariff + 0.6% annually (the issuance fee is the tariff approved by SAMA in addition to the administrative fees related to each transaction)
Financial Undertaking	1- At least 50% of the annual sales proceeds shall be deposited into the Company's account with the Saudi British Bank 2- At least 50% of annual net profits shall be retained to support the business 3- The total debt to tangible net worth ratio shall not exceed 2 : 1 4- External debt (with profit margin) to net tangible equity should not exceed 1.8: 1 5- In the event of the failure to fulfil any of the above-mentioned obligations/undertakings, a fine of 0.25% of the total value of the facilities shall be imposed, and the bank shall reserve the right to directly cancel the facilities and request immediate payment of all existing facilities.	
Guarantees	A promissory note of SAR 157,000,000 to be executed by the amount of the debt upon maturity on 14 November 2019G (replaced when the term of the promissory note ends); A personal guarantee of SAR 204,000,000 provided by Abdelellah Abdulrahman Alkhereiji on 19 March 2019G; A promissory note of SAR 100,000,000 to be executed by the amount of the debt upon maturity, on 19/02/2020G (replaced when the term of the promissory note ends); A promissory note of SAR 310,000,000 to be executed by the amount of the debt upon maturity, signed by the guarantor; and A personal guarantee of 310,000,000 by Abdelellah Abdulrahman Al-Khureiji on 29 June 2020G	

Source: The Company

12.8.2 Bank Facility Agreement Between the Company and The Saudi Investment Bank (SAIB)

The Company entered into a bank facility agreement with SAIB on 20/07/1440H (corresponding to 27 March 2019G), expiring on 31 March 2020G to obtain facilities amounting to SAR 100,000,000. The agreement was renewed on 20/12/1441H (corresponding to 10 August 2020G) to obtain facilities of SAR 100,000,000 below until 31/05/2021G.

Table (12-23): Conditions of Banking Facilities Agreement with The Saudi Investment Bank Dated 20/12/1440H (Corresponding to 10 August 2020G)

Total Facilities	SAR 100,000,000	
Date of Agreement	20/12/1440H (Corresponding to 10 August 2020G)	
Facility Limit	SAR 100,000,000	
1- Murabaha Financing Purchase and Sale of Goods	Facility Limit	SAR 50,000,000
	Purpose	To finance 100% of the annual prepaid rent for open/outdoor spaces of several municipalities in the Kingdom
	Max Term	9 Months, at maximum, to be paid upon maturity from the Company' s general operating cash flows
2- Guarantee Facilities (Bid Bond Letters/Performance Bond Letters/Payment Guarantee Letters)	**Facility Limit**	SAR 50,000,000
	Max Term	Bid bonds are valid for 6 months from the date of issuance, while performance bonds and payment are valid for 12 months from the date of issuance
Profit Margin	The profit margin is calculated according to one of the following methods: • SAIBOR to be determined by the bank upon concluding the facility granting contract. The facility granting contract shall specify the approved mechanism for calculating the profit margin. • The facility granting contract shall specify the approved mechanism for calculating the profit margin.	
Financial Undertakings	1- The client's current liquidity ratio shall not be less than 1:1, excluding dues from Related Parties. 2- The client's financial leverage ratio shall not exceed 1:2 (the leverage ratio is calculated as the ratio of total liabilities to the total tangible value) 3- It shall maintain a net tangible value of not less than SAR 520,000,000. 4- At least 25% of the revenue shall be deposited in its account with the Saudi Investment Bank. 5- The Company's business or assets may be sold, transferred or disposed of only upon a written approval of the Saudi Investment Bank.	
Guarantees	1- A promissory note of SAR 100,000,000, in addition to joint and several irrevocable continuing performance bonds/guarantees provided by Abdelellah Abdul Rahman Alkhereiji and Muhammad Abdelellah Alkhereiji. 2- Authorisation to purchase and sell goods. 3- Joint and several irrevocable continuing performance bonds/guarantees duly signed by Abdelellah Abdul Rahman Alkhereiji and Muhammad Abdelellah Alkhereiji.	

Source: The Company

12.8.3 Credit Facility Agreement Between the Company and Arab National Bank (ANB)

The Company entered into a credit facility agreement with ANB on 09 October 2017G, expiring on 30 November 2019G to obtain facilities amounting to SAR 70,000,000. The credit facilities were renewed and increased on 17 February 2018G. The agreement was renewed on 07/12/1441H (corresponding to 28 July 2020G) until 31 January 2021G.[15]

Table (12-24): Terms of Credit Facility Agreement with Arab National Bank Dated 09 October 2017G

Total Facilities	SAR 70,000,000	
Date of Agreement	17/12/2018G and the agreement was renewed on 07/12/1441H (corresponding to 28 July 2020G) until 31 January 2021G	
Facility Limit	SAR 70,000,000	
1- Renewing and Increasing the Limit of Short-term Tawarruq Financing (Facility No. 1) Instead of SAR 5,000,000	**Facility Limit**	SAR 15,000,000
	Purpose	Finance working capital and pay site rent
	Profit Margin	SAIBOR +3% annually
	Agreement Term	One year
	Conditions	Bank must be provided with a two-day written notice prior to withdrawing the financing.
2- Renewing and Increasing the Limit of Islamic (Preliminary) Guarantee Letters (Facility No. 2) Instead of SAR 40,000,000	**Facility Limit**	SAR 55,000,000
	Purpose	To issue some letters of guarantee for beneficiaries approved by ANB in the governmental and quasi-governmental sectors
	Cash Guarantee	None
	Fee	SAMA tariff + 0.25% annually
	Agreement Term	Six months
	Conditions	The initial guarantees are issued without any obligation on the part of the bank to issue any subsequent guarantees and/or provide the necessary financing and allow the issuance of initial letters of guarantee at 100% of the project value, which represents the rent amount of the site in the first year.
Financial Undertakings	1- A deposit of at least 10% of the annual sales at the bank. If the Company fails to comply with such, a fee of 0.05% of the total facilities is imposed. 2- Financial leverage shall not exceed 1:1. If the Company fails to comply with such, a fee of 0.05% of the total facilities is imposed.	
Guarantees	1- A promissory note of SAR 70,000,000 duly signed by the Company and the Guarantor. 2- Authorisation to purchase and sell goods. 3- Joint performance bond provided by Abdelellah Abdulrahman Alkhereiji and Muhammad Abdelellah Alkhereiji. 4- Continuation of all previous guarantees, bonds and declarations. 5- Any other guarantees demanded by ANB.	

Source: The Company

15 The Company will renew the agreement.

12.8.4 Bank Facility Agreement Between the Company and Bank Albilad

The Company entered into a bank facility agreement with Bank Albilad on 26/04/1441H (corresponding to 23 December 2019G), expiring on 11 December 2020G[16] to obtain facilities amounting to SAR 195,000,000.

Table (12-25): Terms of Bank Facility Agreement with Bank Albilad Dated 26/04/1441H (Corresponding to 23 December 2019G)

Total Facilities	SAR 195,000,000	
Date of Agreement	26/04/1441H (corresponding to 23 December 2019G)	
Facility Limit	SAR 195,000,000	
1- Credit Sale Limit (Revolving)	**Facility Limit**	SAR 100,000,000
	Purpose	To finance government entity (secretariat) bills
	Service Rates	SAIBOR (year) + 1.5% per annum
	Maturity Date	One year
2- Credit Sale Limit - Equipment Financing (Non-Revolving)	**Facility Limit**	SAR 35,000,000
	Purpose	To finance project equipment assigned to the client by the secretariat
	Service Rate	SAIBOR (year) + 2% per annum with a consecutive Murabaha mechanism
	Cash Coverage	None
	Profit Margin	N/A
	Maturity Date	Withdrawal period of 6 months and financing period of 3 years
3- Preliminary Guarantee Letters Limit (Revolving)	**Facility Limit**	SAR 60,000,000
	Purpose	To bid for rental of sites of government and quasi-governmental entities
	Service Rate	5% cash coverage tariff commission
	Profit Margin	N/A
	Maturity Date	One year
4- Currency Purchase and Sale Limit (Partial)	**Maximum Facility**	SAR 10,000,000
	Purpose	To buy and sell all types of foreign currencies, along with credit sale in the form of promise for the purpose of hedging
	Service Rate	According to treasury market prices
	Cash Coverage	None
	Profit Margin	N/A
	Maturity Date	Spot Market Rate, not exceeding 12 months for term transactions in the form of promise.
Financial Undertakings	1- Deposit of 30% of annual revenues into its account with the bank 2- Leverage of no more than 1:1	
Guarantees	1- Promissory note of 200,980,000 signed by Abdelellah Abdulrahman Alkhereiji and Muhammad Abdelellah Alkhereiji. 2- Joint performance bond provided by Abdelellah Abdulrahman Alkhereiji and Muhammad Abdelellah Alkhereiji for the facilities in total.	

Source: The Company

16 The Company will renew the agreement.

12.8.5 Bank Facility Agreement Between the Company and Banque Saudi Fransi

The Company entered into a bank facility agreement with Banque Saudi Fransi on 30/11/1438H (corresponding to 22 August 2017G), expiring on 30 June 2018G to obtain facilities amounting to SAR 160,000,000. The agreement was renewed on 19/09/1441H (corresponding to 12 May 2020) to obtain facilities of SAR 160,000,000 and expires on 30 April 2021G.[17]

Table (12-26): Terms of Bank Facility Agreement with Banque Saudi Fransi dated 30/11/1438H (Corresponding to 22 August 2017G)

<table>
<tr><td>Total Facilities</td><td colspan="2">SAR 160,000,000</td></tr>
<tr><td>Date of Agreement</td><td colspan="2">30/11/1438H (corresponding to 22 August 2017G). The agreement was renewed on 19/9/1441H (corresponding to 12 May 2020G).</td></tr>
<tr><td>Facility Limit</td><td colspan="2">SAR 160,000,000</td></tr>
<tr><td rowspan="5">1- Multi-Purpose Facility</td><td>Facility Limit:</td><td>SAR 60,000,000</td></tr>
<tr><td>Purpose:</td><td>To open LCs (based on Documents Against Payment (D/P) and/or Documents Against Acceptance (D/A)) and/or issue primary guarantee letters.</td></tr>
<tr><td>Cash Coverage</td><td>None</td></tr>
<tr><td>Commission</td><td>According to the attached tarrif</td></tr>
<tr><td>Available Period:</td><td>120 days</td></tr>
<tr><td rowspan="5">2- Financing the Purchase and Sale of Commodities (Tawarruq)</td><td>Facility Limit:</td><td>SAR 100,000,000</td></tr>
<tr><td>Purpose:</td><td>Pay the rents of advertising billboard sites</td></tr>
<tr><td>Profit Margin:</td><td>SIBOR + 1.75% per annum</td></tr>
<tr><td>Fund Terms:</td><td>The Company must use this financing to pay the rents related to MOMRAH and/or government entities only.</td></tr>
<tr><td>Available Period:</td><td>365 days</td></tr>
<tr><td>Financial Undertaking</td><td colspan="2">1- No less than the total amount of the bank's facilities shall be deposited throughout the effective period of the above-mentioned facilities/financing
2- The leverage ratio shall not exceed 1.5 x throughout the effective period of the above-mentioned facilities/financing.</td></tr>
<tr><td>Guarantees</td><td colspan="2">1- A promissory note of SAR 160,000,000, payable on demand, covering the entire value of the facilities/financing.
2- Joint and several guarantee of SAR 160,000,000 provided by Abdelellah Abdulrahman bin Saleh Alkhereiji and Muhammad Abdelellah bin Abdulrahman bin Saleh Alkhereiji, covering the entire value of the facilities/financing.</td></tr>
</table>

Source: The Company

17 The Company is currently renewing the agreement.

12.8.6 Bank Facility Agreement between the Company and Riyad Bank

The Company entered into a bank facilities agreement with Riyad Bank on 04/01/1442H (corresponding to 23 August 2020G), for a period ended on 02/07/1445H (corresponding to 23 August 2023G) to obtain facilities amounting to SAR 60,000,000.

Table (12-27): Terms of the Bank Facilities Agreement with Riyad Bank Dated 04/01/1442H (corresponding to 23 August 2020G)

Total Facilities	SAR 60,000,000	
Date of Agreement	23/08/2020G	
Facility Limit	SAR 60,000,000	
1- **1. Tawarruq financing**	**Facility Limit**	SAR 30,000,000
	Purpose	To finance the Company's site rentals
	Profit margin	SAIBOR + 1.5%
	Agency commission	Ranges from 0.02% to 0.05%
	Financing period	360 days
	Financing terms	A short-term (rotating) Tawarruq limit of 30,000,000 to finance the Company's site rentals. Financing is in return for submission of a letter/documents stating the amount of rent and the sites to be financed. Each tranche is renewed every six months, giving the Company the option to settle the principal amount semi-annually or in one payment at the end of the period.
	Maximum financing term	up to 360 days
2- **2. Obligations related to operations**	**Facility Limit**	SAR 30,000,000
	Purpose	Issuing bid bonds
	Commission	Tariff + additional commission of 0.25% for bid bond letters. The limit allows the issuance of bid bonds.
	Cash coverage	None
	Financing terms	One bid bond amount covers a maximum of one rental year.
Financial undertakings	None	
Guarantees	1- A promissory note of SAR 60,000,000 payable on demand, covering the entire value of the facilities/financing. 2- A joint performance bond from Abdelellah Abdulrahman Alkhereiji and Muhammed Abdelellah Alkhereiji for the total facilities.	

Source: The Company

12.9 Material Contracts with Related Parties

The Directors confirm that none of the agreements with Related Parties described under this section contain preferential conditions and have been concluded in accordance with laws and regulations on an arm's length basis. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor, in respect of the Offering.

Moreover, the Directors acknowledge their intention to comply with Article 71 and 72 of the Companies Law and Article 46 of the Corporate Governance Regulations issued in relation to agreements with Related Parties.[18]

The total value of transactions with Related Parties for the years 2018G, 2019G and 2020G amounted to SAR 377,087,065, SAR 179,409,805, and SAR 44,417,223, respectively. This constitutes 59%, 23% and 9% of the Company's total revenue for 2018G, 2019G and 2020G, respectively.

18 All of the Company's transactions with Related Parties were approved by the Company's General Assembly on 22 June 2021G.

The nature of the Company's transactions with Related Parties, whether contracted or not contracted, is concentrated in three main types of business:

1) Cash transfer transactions: These transactions comprise transfers of dividends made throughout the year that are issued by the Company to companies owned by the same Shareholders.
2) Expense-related transactions: These transactions relate to joint expenses between the Company and the companies owned by the same Shareholders, which are periodically settled so that each side pays its share of those expenses to the other party before the end of the fiscal year.
3) Billboard purchase or service delivery transactions: These transactions comprise manufacturing, supply and installation of billboards by "SignWorld", which is a company owned by the same Shareholders.

Material Contracts with Related Parties include:

12.9.1 Cooperation Contract Concluded with the National Industrial Billboard Company on 21/03/1437H (Corresponding to 01 January 2016G):

To provide services relating to the manufacture, installation and maintenance of all types of billboards and directional signs to the Company by the National Industrial Billboard Company, a Related Party in which Muhammad Abdelellah Alkhereiji (the Company's Managing Director and CEO) and Fatima Abdelellah Alkhereiji (Member of the Nomination and Remuneration Committee and the Audit Committee) own shares. The National Industrial Billboard Company began providing services to the Company in 2016G, and the value of these services amounted to approximately SAR 14.6 million during the financial year ended 31 December 2020G. This contract ends on 01/01/2021G and relates to the regulation of transactions and business between the Company and the SignWorld. It is an unlimited value contract, as the value of each work is agreed upon separately after the necessary internal approvals are obtained.

12.9.2 Cooperation Contract Concluded with Al Miza Outdoor Advertising on 15/11/1437H (Corresponding to 18 August 2016G):

To provide marketing services to the Company's advertising spaces with international advertisers located in Dubai by Al Miza Outdoor Advertising, a Related Party owned by Muhammad Abdelellah Alkhereiji, the Company's Managing Director and CEO. Al Miza Outdoor Advertising began providing services to the Company in 2018G. These services are related to marketing and selling advertising spaces and following up with companies, especially with buyers of advertising space. Al Miza Outdoor Advertising Company charges a flat rate of ten percent (10%) of the total sales that it brings to the Company, and the relevant final accounting is conducted at the end of each fiscal year. The value of these services amounted to approximately SAR 45,565,491 during the financial year ended 31 December 2019G. This contract expired on 31 December 2019G and was not renewed based on a Board resolution dated 08 December 2019G.

12.9.3 Lease agreements with Related Parties

The following table presents the details of the Company's material real estate leases with Related Parties:

Table (12-28): Lease Agreements with Related Parties

	Description of Leased Premises	City	Lessor	Lessee	Lease Start Date	Duration	Renewal	Annual Rent
1.	Two rooms on a farm used as a warehouse and housing for maintenance and operation workers	Tabuk	Abdelellah Abdulrahman Alkhereiji	The Company	01 January 2012G	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 5,000
2.	A lease agreement for an office used by the Company's branch in Jeddah	Jeddah	Abdelellah Abdulrahman Alkhereiji	The Company	01 January 2015G	2 years	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 220,000
3.	A lease agreement for a residential villa to be used as housing for maintenance and operation workers	Riyadh	House of Skill Real Estate Company	The Company	01 January 2018G	1 year	The contract renews with the approval of the lessor unless one of the parties notifies the other of its intention not to renew.	SAR 75,000
4.	A lease agreement for a villa used as housing for workers	Riyadh	House of Skill Real Estate Company*	The Company	01 January 2018G	3 years	Not specified in the contract	SAR 75,000
5.	Housing for secondary manufacturing workers	Riyadh	House of Skill Real Estate Company*	The Company	11/7/1441H (corresponding to 1 July 2020G)	1 year	The contract renews with the approval of the lessor unless one of the parties notifies the other of its intention not to renew.	SAR 40,000
6.	Mecca manufacturing worker housing	Mecca	House of Skill Real Estate Company*	The Company	11/11/1441H (corresponding to 1 July 2020G)	1 year	The contract renews with the approval of the lessor unless one of the parties notifies the other of its intention not to renew.	SAR 30,000
Total Annual Rental Allowance								**SAR 445,000**

Source: The Company

* Considered a Related Party as the Director Muhammed Alkhereiji owns 44% of the capital of House of Skill Real Estate Company. The Company's Chairman, Abdelellah Alkhereiji, and a Company Director, Muhammed Alkhereiji, are directors of House of Skill Trading and Contracting Company.

12.9.4 Transactions with Related Parties that are not Governed by Official Contracts

There are twenty-six (26) transactions that are not governed by official contracts between the Company and Related Parties, which are House of Skill Trading and Contracting Company, High-End Hotels Company, Engineer Holding Group Company, Saudi Media Company, Advanced Digital Systems Company, MBC Group Holdings Ltd., Al Arabia Out of Home Advertising Company, Al-Zad Forum Travel Company, and High-End Restaurants Company. These transactions include the distribution of shareholders dividends through Related Parties, expenses paid by the Company on behalf of Related Parties, such as salaries, insurance and other salary-related costs, and expenses related to the purchase of billboards or the execution of works. These include the expenses of manufacturing and importing billboards, drilling costs and the installation of such billboards by Related Parties together with sales and collections. The total value of such transactions that are not governed by official contracts was SAR 225,079,240, SAR 128,107,692 and SAR 41,568,274, for the years 2018G, 2019G and 2020G, respectively. All amounts relating to these transactions were settled (for more information, refer to Section 2.1.9 ("**Risks Related to Transactions and Contracts with Related Parties**")). The total value of transactions with Related Parties (which includes transactions with Related Parties that are governed by formal contracts and transactions with Related Parties that are not governed by formal contracts) for the year 2018G, 2019G and 2020G, amounted to SAR 377,087,083, SAR 180,185,787.5, and SAR 56,915,293 respectively. They constitute 59%, 23% and 11% of the Company's total revenues for 2018G, 2019G and 2020G, respectively. All of these transactions were approved in the Company's General Assembly held on 22 June 2021G, in accordance with the requirements of Article 71 of the Companies Law. In the past (i.e., before 18 March 2020G), the Company's shareholders used the Company's unoccupied advertising spaces for advertisements related to their business without formal contracts and on a non-commercial basis. In addition, the Company financed Related Parties, calculating all such amounts and deducting them from the shareholders' shares of dividends prior to distribution.

The following table illustrates the details of the Company's transactions with Related Parties that are not subject to formal contracts:

Table (12-29): Summary of Transactions Between the Company and Related Parties that are not Subject to Formal Contracts

No.	Related Party	Nature of Contract/ Transaction	Related Party	Nature of Relationship	Type of Interest	Transaction Value in FY Ended 31 December 2018G (SAR)	Transaction Value in FY Ended 31 December 2019G (SAR)	Transaction Value in FY Ended 31 December 2020G (SAR)
1	House of Skill Trading and Contracting Company	Cash transfers	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	15,812,201	2,200,000	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Manager			
2	House of Skill Trading and Contracting Company	Expenses	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	2,000,000	2,710,000	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Manager			
3	House of Skill Trading and Contracting Company	Expenses	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	1,650,236	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Manager			

No.	Related Party	Nature of Contract/ Transaction	Related Party	Nature of Relationship	Type of Interest	Transaction Value in FY Ended 31 December 2018G (SAR)	Transaction Value in FY Ended 31 December 2019G (SAR)	Transaction Value in FY Ended 31 December 2020G (SAR)
4	High-End Hotels Company	Cash transfers	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	183,000,000	101,231,240	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
5	High-End Hotels Company	Expenses	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	3,959,653	3,053,750	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
6	Engineer Holding Group Company	Cash transfers	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	2,226,873**	200,000	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner/ manager			
7	Engineer Holding Group Company	Salaries, wages and other benefits	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	1,111,012	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner/ manager			
8	Saudi Media Company	Cash transfers	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	3,283,793	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			

No.	Related Party	Nature of Contract/ Transaction	Related Party	Nature of Relationship	Type of Interest	Transaction Value in FY Ended 31 December 2018G (SAR)	Transaction Value in FY Ended 31 December 2019G (SAR)	Transaction Value in FY Ended 31 December 2020G (SAR)
9	Saudi Media Company	Salaries, wages and other benefits	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	12,298,714	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
10	Advanced Digital Systems	Expenses	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	368,947	-
11	Engineer Holding Group Company	Dividend distribution	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	24,000,000
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner/ manager			
12	Engineer Holding Group Company	End of service transfer	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	1,405,066
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner/ manager			
13	MBC Group Holdings Ltd.	Sales*	Samuel Barnett	Board Member Samuel Barnett has an interest in the contracting party.	Director	-	-	2,832,942
14	Al Arabia Out of Home	Modifications	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	2,495,005
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			

No.	Related Party	Nature of Contract/ Transaction	Related Party	Nature of Relationship	Type of Interest	Transaction Value in FY Ended 31 December 2018G (SAR)	Transaction Value in FY Ended 31 December 2019G (SAR)	Transaction Value in FY Ended 31 December 2020G (SAR)
15	Al Arabia Out of Home	Payments on behalf of the Company	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	3,380,420
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
16	Al Arabia Out of Home	Collections on behalf of the Company	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	6,177,645
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
17	Al-Zad Forum Travel Company	Sales*	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	670,929
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
18	High-End Hotels Company	Sales*	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	309,374
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
19	High-End Restaurants Company	Sales*	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	75,897
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			

No.	Related Party	Nature of Contract/ Transaction	Related Party	Nature of Relationship	Type of Interest	Transaction Value in FY Ended 31 December 2018G (SAR)	Transaction Value in FY Ended 31 December 2019G (SAR)	Transaction Value in FY Ended 31 December 2020G (SAR)
20	Al-Zad Forum Travel Company***	Collections*	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	72.728
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
21	Saudi Media Company	Sales*	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	60,59
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
22	High-End Restaurants Company	Collections*	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	42,349
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
23	House of Skill Trading and Contracting Company	Advance payments for works	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	36,230
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Manager			
24	High-End Hotels Company	Collections*	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	-	-	9,148
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
25	Advanced Digital Systems	Net transfer of assets and liabilities	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	17,076,560	-	-

No.	Related Party	Nature of Contract/ Transaction	Related Party	Nature of Relationship	Type of Interest	Transaction Value in FY Ended 31 December 2018G (SAR)	Transaction Value in FY Ended 31 December 2019G (SAR)	Transaction Value in FY Ended 31 December 2020G (SAR)
26	Al-Zad Forum Travel Company***	Cash transfers	Muhammed Abdelellah Alkhereiji	Board Member Muhammed Abdelellah Alkhereiji has an interest in the contracting party.	Partner/ manager	1,003,953	-	-
			Abdelellah Alkhereiji	Board Chairman Abdelellah Abdulrahman Alkhereiji has an interest in the contracting party.	Partner			
Total						**225,079,240**	**128,107,692**	**41,568,274**

* These sales and collections were concluded in accordance with the Company's client business model, where the Company does not rely on formal contracts with its clients. For further information, see Section 4.7.1 ("**The Company's Client Business Model**")

** The amount appeared in the financial statements of 2018G under Al-Hadaf Al-Mumayaz Holding Company, which is the former name of Engineer Holding Group.

*** Shown in the financial statements under the name Al-Zad Forum Company.

Source: The Company

12.10 Real Estate

12.10.1 Title Deeds

The Company owns the following plots:

Title Deed Details	Location	Description and Purpose	Book Value	Third Party Rights/ Disputes
Title Deed No. 393046000106 issued on 02/11/1441H (corresponding to 23 June 2020G)	Al Khalidiyah North District, Dammam City	Plot No. 198/2 of Plan No. 97/1 with a total area of 200 square meters There is also a villa built on this plot.	SAR 1,019,000 (this amount includes the value of the plot and villa)	None
Title Deed No. 793046000105 issued on 02/11/1441H (corresponding to 23 June 2020G)	Al Khalidiyah North District, Dammam City	Plot No. 198/1 of Plan No. 97/1 with a total area of 200 square meters There is also a villa built on this plot.	SAR 1,019,000 (this amount includes the value of the plot and villa)	None

12.10.2 Lease Agreements

The Company entered into five lease agreements with Related Parties in addition to twenty-one lease agreements with third parties. For more information about lease agreements with Related Parties, see Section 12.9.3 ("**Lease Agreements with Related Parties**").

The following table illustrates the lease agreements of the Company and its subsidiary with other non-related parties.

Table (12-30): Lease Agreements with Other Parties

	Description of Leased Premises	City	Lessor	Lessee	Lease Start Date	Duration	Renewal	Annual Rent
1.	A motel in King Fahd Street - used as housing for workers	Madinah	Shaddad Munir Safar Al-Harbi	The Company	26/01/1442H (corresponding to 14 September 2020G)	1 year	If the parties wish to renew, the renewal shall be made under another new contract signed thereby	SAR 36,750
2.	Industrial Plot No. 15 in Sinaayat Al-Miyaah & Al-Taqa – used as an energy warehouse	Riyadh	Architectural Doors Factory	The Company	24/09/1442J (corresponding to 06 May 2021G)	1 Gregorian year	If the parties wish to renew, the renewal shall be made under another new contract signed thereby	SAR 200,000
3.	Motel – used as housing for workers	Yanbu	Hamed Eid Awad Al-Mahyawi	The Company	29/06/1441H (corresponding to 23 February 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 18,000
4.	Apartment in Alfaisaliyah District – used as housing for workers	Arar	Fahs Aweidah Al-Anizi	The Company	01/03/1441H (corresponding to 26 April 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 144,000
5.	A motel in Zulfi - used as housing for workers	Zulfi	Abdullah Abdul Aziz Al Mousa	The Company	05/03/1441H (corresponding to 09 November 2019G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 7,500
6.	A full floor- used as housing for workers	Al-Ahsa	Gabriel Yousef Abdullah Al-Hubaishi	The Company	01/07/1441H (corresponding to 25 February 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 17,000
7.	Two floors, and annex in Khamis Mushayt, east of King Faisal Street – used as housing for workers	Khamis Mushait	Heirs of Saeed Hussein Mushait Al-Mushait	The Company	06/05/1441H (corresponding to 01 January 2020G)	1 Gregorian year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 28,000

	Description of Leased Premises	City	Lessor	Lessee	Lease Start Date	Duration	Renewal	Annual Rent
8.	Villa No. 3 in Al-Waha District - used as housing for workers	Jeddah	Shaker Muhammad Noor Rajkhan	The Company	02/01/1442H (corresponding to 02 August 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 40,000
9	Villa No. 2 in Al-Waha District - used as housing for workers	Jeddah	Shaker Muhammad Noor Rajkhan	The Company	02/01/1442H (corresponding to 02 August 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 30,000
10.	A full floor in a building in Al Ajwad District - used as a warehouse	Jeddah	Abdul-Ati Attia Salim Al-Harbi	The Company	12/06/1442H (corresponding to 26 January 2021G)	1 year	If the parties wish to renew, the renewal shall be made under another new contract signed thereby	SAR 60,000
11.	Apartment - used as housing for workers	Taif	Abdul Rahman Abed Al-Qurashi	The Company	02/10/1441H (corresponding to 24 May 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 15,000
12.	Apartment in Al-Maather District – used as housing for workers	Riyadh	Norah Saleh Al-Ghanem	The Company	26/11/1441H (corresponding to 16 July 2020G)	1 year	The contract is renewed with the consent of the lessor unless either party notifies the other of its intention not to renew	SAR 12,000
13.	Housing for Rawiya workers	Jeddah	Zaid Fallah Al-Aklbi	The Company	02/08/1439H (corresponding to 17 April 2018G)	5 Gregorian years	Renewable two months prior to the end of the term if the parties wish to extend.	SAR 42,000
14.	Housing for workers	Hail	Saad Aweid Hadi Al-Shamri	The Company	01/02/1442H (corresponding to 18 September 2020G)	1 year	The contract renews with the approval of the lessor unless either party notifies the other of its intention not to renew	SAR 12,000
15.	A whole building in Al-Dabab District - used as housing for workers	Dammam	Badriya Muhammad Jassim Al-Jaafar	The Company	06/05/1442H (corresponding to 20 December 2020G)	1 year	The contract is renewed with the consent of both parties	SAR 70,000

	Description of Leased Premises	City	Lessor	Lessee	Lease Start Date	Duration	Renewal	Annual Rent
16.	Apartment and outdoor space in Alfaisaliyah District - used as housing for workers	Najran	Muhammad Saeed Al-Ghobari	The Company	09/09/1441H (corresponding to 01 May 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 11,000
17.	Two-floor building in Al-Buitan District - used as housing	Unayzah	Ibrahim Abdullah Al-Mashhan	The Company	01/08/1441H (corresponding to 05 March 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 40,000
18.	Apartment in Airport District - used as housing for workers	Jazan	Abdul-Qadir Mustafa	The Company	06/09/1441H (corresponding to 08 April 2020G)	1 year	The contract is automatically renewable for a similar period unless either party notifies the other of its intention not to renew	SAR 23,000
19.	The Company's Head Office - Olaya Towers	Riyadh	GOSI	The Company	13/01/1442H (corresponding to 01 September 2020G)	Two Calendar Years	Renewable	SAR 1,525,576
20.	Al Arabia Company Rawiya Printing Press (Riyadh)	Riyadh	Industrial Property Authority	The Company	24/12/1426H (corresponding to 24 January 2006G)	25 Calendar Years	Renewable	SAR 21,600
21.	Al Arabia Company Rawiya Printing Press (Jeddah)	Jeddah	Industrial Property Authority	The Company	09/07/1441H (corresponding to 03 March 2020G)	10 Gregorian years	The contract is renewed with the written consent of both parties	SAR 24,875

Source: The Company

12.11 Intellectual Property

The Company has undertaken to protect its trade name and trademarks by registering them with MoC's Saudi Trademarks Office. The Company deems its trade name and trademark to be a reflection of the Company's distinguished image in the local media market.

Among other factors, the Company's competitive position depends on its ability to protect and use its intangible assets. Thus, the inability to protect these assets, or in some cases, the need to take legal action to protect them may negatively impact the Company's business and render its business more expensive, which may adversely affect the results of the Company's operations. (For further details, see Section 2.1.6 ("**Risks Relating to Protection of Intellectual Property Rights**") of this Prospectus.)

The following table sets out certain key details of the trademarks registered by the Company:

Table (12-31): Main Details of Trademarks Registered by the Company

Trademark	Owner	Registration Office	Trademark No.	Date of Registration (Hijri)	Protection Start Date (Hijri)	Protection End Date (Hijri)	Trademark Category
العربية al arabia	Arabian Contracting Services Company	The Kingdom of Saudi Arabia	1436000785	12/01/1436H	11/01/1436H	11/01/1446H	35
العربية al arabia	Arabian Contracting Services Company	The Kingdom of Saudi Arabia	1436022579	01/11/1436H	01/11/1436H	30/10/1446H	35
raweyah	Al Arabia for Al-Rawiyya Presses Factory	The Kingdom of Saudi Arabia	1436022580	01/11/1436H	01/11/1436H	30/10/1446H	16
	Ain Al Arabia Advertising Company	The Kingdom of Saudi Arabia	1441014922	06/08/1441H	19/05/1441H	18/05/1451H	35

Source: The Company

12.12 Other Intellectual Property

The Company has registered an Internet domain. The following table sets out the details of said registered domain:

Table (12-32): Summary of the Internet Domain Registered by the Company

Internet Domain Name	Expiry Date
AL-ARABIA.COM	27 September 2021G

The Company also registered a number of its billboards with the Saudi Authority for Intellectual Property. The following table illustrates a summary of the details of these certificates:

Table (12-33): Industrial Model Certificates Summary

Protection End Date	Protection Start Date	Registration Date	Product Type	Certificate Number	Owner	Issued by	Certificate
24/07/1452H (corresponding to 08/03/2031G)	24/07/1442H (corresponding to 08/03/2021G)	24/07/1442H (corresponding to 08/03/2021G)	Billboards	SA8776	Arabian Contracting Services Company	Saudi Authority for Intellectual Property	Industrial Model Certificate
28/05/1452H (corresponding to 12/01/2031G)	28/05/1442H (corresponding to 12/01/2021G)	28/05/1442H (corresponding to 12/01/2021G)	Billboards	SA8679	Arabian Contracting Services Company	Saudi Authority for Intellectual Property	Industrial Model Certificate
03/08/1452H (corresponding to 16/03/2031G)	03/08/1442H (corresponding to 16/03/2021G)	03/08/1442H (corresponding to 16/03/2021G)	Billboards	SA8801	Arabian Contracting Services Company	Saudi Authority for Intellectual Property	Industrial Model Certificate

12.13 Litigation

As at the date of this Prospectus, the Directors affirm that the Company and its subsidiary are not party to any judicial dispute, arbitration, administrative proceeding or investigation that may, individually or collectively, have a material impact on its financial position and results of operations. Moreover, they declare that they are not aware of any threats to initiate any cases or claims, with the exception of the below.

12.13.1 Lawsuits Filed by the Company Against Jeddah Municipality

- The Company signed an exclusive concession contract (Contract No. 001/C/32 dated 23/01/1432H) with Jeddah Municipality to invest in Megacom advertising billboard sites. This contract expired on 22/01/1442H. Jeddah Municipality issued Letter No. 4100079395 dated 01/04/1441H, extending the term of the contract by seven (7) months and twenty-seven (27) days. Jeddah Municipality then issued Letter No. 4000217352 dated 13/01/1442H, in which it retracted its approval to extend the contract, confirming the date of 22/01/1442H as the date of contract expiry. The Company, in its capacity as a plaintiff, filed a lawsuit in the Sixteenth Administrative Circuit in Jeddah No. 2632 of 1442H against Jeddah Municipality, as the defendant, asking for the following:

    1. To oblige Jeddah Municipality to abide by its letter No. 4100079395 dated 01/04/1441H, which extends the contract term for a period of seven months and twenty-seven days, or to oblige Jeddah Municipality to pay seventy-five million, eight hundred ninety-one thousand, three hundred twenty-eight Saudi Riyals (SAR 75,891,328) to the Company to recover rent amounts paid to Jeddah Municipality for sites that were not handed over to the Company;
    2. To oblige Jeddah Municipality to pay eighty million, seven hundred and thirty-five thousand Saudi Riyals (SAR 80,735,000) to the Company for the financial losses incurred at the time of the removal of the billboards by Jeddah Municipality.
    3. To oblige Jeddah Municipality to pay one million Saudi Riyals (SAR 1,000,000) for lawyers' fees incurred by the Company to file this claim.

A first instance judgement was issued by the Sixteenth Administrative Circuit on 29/08/1442H, which ruled the following:

1. Oblige Jeddah Municipality to extend Contract No. 001/C/32 dated 23/01/1432H for a period of seven months and twenty-seven days.
2. Oblige Jeddah Municipality to pay lawyers' fees of one million Saudi Riyals (SAR 1,000,000).
3. Oblige the Company to pay four million, four hundred seventy-six thousand, one hundred fifty-four Saudi Riyals (SAR 4,476,154) for the rent amount for the tenth year of the contract that is the subject of the lawsuit. This was based on the request of Jeddah Municipality during the hearing.

The Company appealed this ruling on 29/08/1442H, and no final ruling has been issued as at the date of this Prospectus.

- The Company signed an exclusive concession contract (Contract No. 002/C/32 dated 23/01/1432H) with Jeddah Municipality to invest in Mupi advertising billboard sites. This contract expired on 22/01/1442H. Jeddah Municipality issued Letter No. 4100079395 dated 01/04/1441H, extending the term of the contract by five (5) months and three (3) days. Jeddah Municipality then issued Letter No. 4000217352 dated 13/01/1442H, in which it retracted its approval to extend the contract, confirming the date of 22/01/1442H as the date the contract term expires. The Company, in its capacity as plaintiff, filed Lawsuit No. 3603 of 1442H before the Sixteenth Administrative Circuit in Jeddah against Jeddah Municipality, as the defendant, asking for the following:

    1. To oblige Jeddah Municipality to abide by its letter No. 4100079395 dated 01/04/1441H, which includes the extension of the contract term by five months and three days, or to oblige Jeddah Municipality to pay sixteen million, six hundred twenty-one thousand, seven hundred eighty-two Saudi Riyals (SAR 16,621,782) to the Company to recover the rent amounts paid to Jeddah Municipality for sites that were not handed over to the Company.
    2. To oblige Jeddah Municipality to pay sixteen million, seven hundred thirty-seven thousand, three hundred sixty-nine Saudi Riyals (SAR 16,737,369) to the Company for the financial losses incurred at the time of the removal of the billboards by Jeddah Municipality.
    3. To oblige Jeddah Municipality to pay one million Saudi Riyals (SAR 1,000,000) for lawyers' fees incurred by the Company to file this claim.

A first instance judgement was issued by the Sixteenth Administrative Circuit on 13/09/1442H, which ruled the following:

1. Oblige Jeddah Municipality to extend Contract No. 002/C/32 dated 23/01/1432H for a period of five months and three days.
2. Dismiss the Company's request for lawyers' fees.
3. Oblige the Company to pay one million, fifty-four thousand, six hundred ninety-two Saudi Riyals (SAR 1,054,692) for the rent amount for the tenth year of the contract that is the subject of the lawsuit. This was based on the request of Jeddah Municipality during the hearing.

The Company appealed this ruling on 13/10/1442H, and no final ruling has been issued as at the date of this Prospectus.

12.14 Zakat and Tax Status of the Company

The Company is subject to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. A provision for Zakat is set aside on the basis of the accrual principle, and it is calculated and charged on the basis of the Zakat base (calculated according to the regulations of the Zakat, Tax and Customs Authority). Adjustments, if any, are made to the Zakat provision upon obtaining the final assessments from the Zakat, Tax and Customs Authority.

The Company's Zakat provision was approximately SAR 9.2 million, SAR 8.8 million and SAR 6.9 million as at 31 December 2018G, 2019G and 2020G, respectively.

The Company has submitted Zakat returns and obtained Zakat certificates from the Zakat, Tax and Customs Authority for all years up to 2020G, and has paid the Zakat amounts due within the specified period. The Company has only obtained final Zakat assessments up to 2016G. The Selling shareholders will incur, on a pro rata basis, any additional liabilities that may arise from the Zakat, Tax and Customs Authority for the previous years up to the Company's listing on the Saudi Exchange. For more details, please see Section 2.1.12 ("**Risks Related to Potential Zakat Assessments**") of this Prospectus.

Note that the Company received a final assessment notice from the Zakat, Tax and Customs Authority regarding the VAT returns filed for the year 2018G (the assessment was on zero-rated supplies provided to clients abroad). The Zakat, Tax and Customs Authority also imposed fines of SAR 3.4 million on the Company for providing inaccurate information and delaying the payment of VAT for the year 2018G. The Company paid the full amount in 2019G. Therefore, it objected to these fines and the Zakat, Tax and Customs Authority issued a credit note to the Company for the amount of SAR 1.4 million in 2021G. The Company also received a final Zakat assessment for FY 2018G with total Zakat differences of SAR 3.5 million. It objected to these Zakat differences, but the Zakat, Tax and Customs Authority issued a notice dismissing the objection on 28 January 2021G. The objection related to the Zakat assessment made by the Authority was then filed with the General Secretariat of Tax Committees under No. 37401- 2021 dated 14 February 2021G.

Other than as disclosed in this section, the Company's Directors declare that as at the date of this Prospectus, there are no existing Zakat claims or obligations payable by the Company to the Zakat, Tax and Customs Authority. The Company does not have any Zakat or tax disputes with the Zakat, Tax and Customs Authority and it has a sufficient Zakat provision to meet any differences when it obtains the final Zakat assessments from the Zakat, Tax and Customs Authority.

12.15 Insurance Policies

The Company insures its properties through several insurance policies to protect its properties from, and avoid any losses associated with, different types of risks to which it may be exposed. It should also be noted that the insured billboards include Super Structures and Pisa Billboards (Scroller) due to their high capital costs and large size. The Company believes that these policies are sufficient to cover the risks related to its business. The Company intends to renew the insurance policies upon expiry. The current insurance policies include no material provisions or exceptions regarding insurance coverage that are not disclosed in this Prospectus.

The main details of the insurance policies maintained by the Company are as follows:

Table (12-34): The Company's Insurance Policies

Insurer	Type of Coverage	Policy No.	Scope of Coverage Period	Annual Premium Value (SAR)
Tawuniya Insurance	Medical Insurance (group)	19452618	From 11 February 2021G to 10 February 2022G	1,214,678.31
Tawuniya Insurance	Medical Insurance (group)	19452626	From 11 February 2021G to 10 February 2022G	141,224.60

Insurer	Type of Coverage	Policy No.	Scope of Coverage Period	Annual Premium Value (SAR)
Tawuniya Insurance	Medical Insurance (group)	19452621	From 11 February 2021G to 10 February 2022G	461,163.80
Saudi Arabian Cooperative Insurance Company (SAICO)	General Insurance	P/102/24/5021/2021/301/34	From 01 January 2021G to 31 December 2021G	264,958
Saudi Arabian Cooperative Insurance Company (SAICO)	Auto Insurance	P/102/24/5021/2021/501/38	From 01 January 2021G to 31 December 2021G	188,594
Saudi Arabian Cooperative Insurance Company (SAICO)	Fire insurance	P/102/24/1002/2020/101/1	From 01 January 2021G to 31 December 2021G	86,540
Saudi Arabian Cooperative Insurance Company (SAICO)	Fire Insurance	P/102/24/1002/2020/101/2	From 01 January 2021G to 31 December 2021G	549,374

Source: The Company

12.16 Description of Shares

12.16.1 Ordinary Shares

The Company's shares are nominal shares and may not be issued at less than their nominal value. They may however be issued at a value higher than their nominal value. In this case, the difference in value will be added to the statutory reserve even if this reserve has met its maximum limit. Shares are indivisible before the Company. If one share is owned by several people, they must select one person to exercise the rights related to that share on their behalf. They shall all bear responsibility for the obligations arising from ownership of such share.

12.16.2 Repurchase of Shares

In accordance with Article 112 of the Companies Law, which provides that a company may purchase its shares in accordance with the controls established by the competent authority, provided that shares purchased by the company do not have voting rights in shareholders assemblies.

12.16.3 Shareholder Rights

Pursuant to Article 110 of the Companies Law, shareholders are conferred with all rights attached to the share, in particular the right to receive a share of the dividends approved for distribution, the right to a share of the Company's assets upon liquidation, attend General Assemblies, participate in the deliberations thereof and vote on its resolution, dispose of their shares, request access to the Company's books and documents, oversee the activities of the Board of Directors, file liability lawsuits against Directors and challenge the resolutions of the General Assembly, under the conditions and restrictions contained in the Companies Law and the Bylaws.

Each shareholder shall have the right to discuss the matters listed in the assembly agenda and to direct questions in respect thereof to the Board of Directors and the Auditors. The Board or Auditor shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, then he/she may refer the issue to the General Assembly and its decision in this regard shall be binding.

12.16.4 Voting Rights

Each shareholder shall have one vote for each share they represent at the Constituent Assembly. The number of votes in Ordinary General Assemblies and Extraordinary General Assemblies shall be determined on the basis of one vote per share. Cumulative voting must be used in the election of the Board of Directors, in accordance with the Corporate Governance Regulations issued by the CMA and any amendments made thereto from time to time.

12.16.5 Amendment of Shareholder Rights

The rights of the Shareholders to receive a share in the Company's profits set for allocation, the right to receive a share in the Company's asset surplus upon liquidation, the right to attend General Assembly meetings, participate in deliberations and vote on resolutions, the right to dispose of shares and the right to access the Company's books and documents, supervise the acts of the Board of Directors, institute proceedings against the Directors and contest the validity of the resolutions adopted at General Assembly meetings (in accordance with the conditions and restrictions set forth in the Companies Law and the Bylaws) are granted pursuant to the Companies Law and, therefore, may not be changed.

13- Underwriting

13.1 Underwriters

The Company, the Selling Shareholders and the Underwriters (being GIB Capital and Albilad Investment Company) entered into an underwriting agreement on 19/03/1443H (corresponding to 25/10/2021G) (the "**Underwriting Agreement**") pursuant to which the Underwriters have agreed, subject to certain conditions, to fully underwrite the Offering of 15,000,000 Offer Shares. The name and address of the Underwriter are set out below:

Underwriters
Lead Underwriter
GIB Capital Low Rise Building 1, Granada Business & Residential Park Eastern Ring Road P.O. Box 89589 Riyadh 11692 Kingdom of Saudi Arabia Tel: +966 11 511 2200 Fax: +966 11 511 2201 Website: www.gibcapital.com Email: customercare@gibcapital.com
Co-Underwriter
Albilad Investment Company King Fahad Road P.O. Box 140 Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 92 000 3636 Fax: +966 11 290 6299 Website: www.albilad-capital.com Email: clientservices@albilad-capital.com

The main terms of the Underwriting Agreement are set out below:

13.2 Summary of the Underwriting Agreement

Under the terms and subject to the conditions contained in the Underwriting Agreement:

1) The Selling Shareholders undertake to the Underwriters that, on the first business day after the allocation of the Offer Shares following the end of the Offering Period, they shall:
2) Sell and allocate the Offer Shares to Participating Parties or Individual Investors whose applications for Offer Shares have been accepted by the Receiving Agents.
3) Sell and allocate to the Underwriters (or as they may direct) Offer Shares that are not purchased by Individual Investors or Participating Parties pursuant to the Offering.
4) The Underwriters undertake to the Company and the Selling Shareholders that they will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, as stated below:

Table (13-1): Underwritten Shares

Underwriters	Number of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
GIB Capital	7,500,000	50%
Albilad Investment Company	7,500,000	50%
Total	**15,000,000**	**100%**

The Company and Selling Shareholders undertake to satisfy all provisions of the Underwriting Agreement.

14- Underwriting Costs

The Selling Shareholders will pay to the Underwriters, on a pro-rata basis to the number of Offer Shares sold, an underwriting fee based on the total value of the Offering and pay the Underwriters' costs and expenses in connection with the Offering on behalf of the Company.

15- Expenses

The Selling Shareholders will bear all costs associated with the Offering, which are estimated at around thirty-five million Saudi Riyals (SAR 35,000,000). These costs will be deducted from the Offering Proceeds and include the fees of the Financial Advisor, the Underwriters, the Bookrunner, the Company's Legal Advisor, Auditors, Receiving Agents and the Market Consultants, in addition to marketing, printing and distribution expenses and other relevant expenses. Otherwise the Company will not bear any further Offering-related expenses.

16- The Company's Post-Listing Undertakings

Post-listing, the Company undertakes to:

1. Fill out form 8 (regarding the observance of the Corporate Governance Regulations). The Company shall provide the relevant justifications if it fails to meet any of the requirements set out in the Corporate Governance Regulations.
2. Inform the Capital Market Authority of the date of the first post-listing General Assembly meeting, so that representatives thereof may attend said meeting.
3. Immediately after Listing, comply with all mandatory provisions set out in the Corporate Governance Regulations.
4. Comply with all mandatory articles from the Corporate Governance Regulations immediately after Listing.
5. Comply with the provisions of the Listing Rules regarding the Company's ongoing obligations immediately after listing.
6. Call a meeting of the General Assembly, in order to update the Company's Bylaws, immediately after listing.
7. Submit to the General Assembly for approval, all works and contracts in which any Director has a direct or indirect interest (in accordance with the Companies Law and the Corporate Governance Regulations); the Director with such interest shall be prohibited from participating in voting on decisions issued in this regard by the Board of Directors and the General Assembly.

Accordingly, once listing is approved, the Directors undertake to:

1. Record all resolutions and deliberations in written meeting minutes signed by the Board Chairman and Secretary.
2. Disclose the details pertaining of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

17- Waivers

The company obtained the following exemptions:

1) An exemption from the requirements of subparagraph (b) of Article Six of the Listing Rules from the Capital Market Authority, which requires that the securities to be listed be transferable and tradable, in relation to exercising the purchase option right by MBC Holdings Limited to buy 15% of the Company's total shares after the expiry of the lock up period for major shareholders (for more information, please see Section 18-7 (the "**Lock-up Period**")).
2) An exemption from the requirements of paragraph (h) of subparagraph 4 of paragraph 14 of Appendix No. 9 of the Rules on the Offer of Securities and Continuing Obligations regarding non-disclosure of the purchase option pricein the prospectus in connection with the exercise of a purchase option right by MBC Group Holdings Limited for a total of 15% of the company's total shares. (For more information, please see Section -12-7-4 (the "**Shareholders Agreement**")).

18- Subscription Terms and Conditions

The Company has submitted an application to the CMA for the registration and offer of securities and submitted an application to the Exchange for the listing of the Shares in accordance with OSCOs and the Listing Rules.

All Subscribers must carefully read the subscription terms and conditions prior to completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Receiving Agent is deemed acceptance and approval of the Subscription Terms and Conditions.

18.1 Subscription to Offer Shares

The Offering will consist of fifteen million (15,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share at an Offer Price of SAR one hundred (SAR 100) per Offer Share. The Offer Shares represent 30% of the Company's share capital, with the total value of the Offering amounting to SAR one billion five hundred million (SAR 1,500,000,000). The Offering of the Offer Shares to Individual Investors and the listing of the Offer Shares is contingent on the successful subscription by the Participating Parties of 100% of the Offer Shares. The Offering will be cancelled if it is not fully subscribed for at this stage. The CMA also has the right to suspend the Offering if, at any time after its approval of this Prospectus and before admission to listing of the Shares, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following two categories of Investors:

Tranche A: Participating Parties:

This tranche consists of the parties entitled to participate in the book-building process in accordance with the Book Building Instructions (for further details, see Section 1 ("**Definitions and Abbreviations**")). The number of Offer Shares to be initially allocated to Participating Parties is fifteen million (15,000,000) Offer Shares, representing 100% of the total Offer Shares. In the event that there is sufficient demand by Individual Investors, the Lead Manager shall have the right to reduce the Offer Shares allocated initially to Participating Parties to thirteen million, five hundred thousand (13,500,000) shares, representing 90% of the total Offer Shares. The number and percentage of Offer Shares which will be allocated to the participating groups will be determined by the Financial Advisor in consultation with the Company and the Selling Shareholders using the optional allocation mechanism mentioned in Section 18.4.1.

Tranche B: Individual Investors:

This tranche includes Saudi natural persons, including any divorced or widowed Saudi woman with minor children from a marriage to a non-Saudi, who is entitled to subscribe to the Offer Shares in their names on her own behalf, on the condition that she provides proof that that she is divorced or widowed and the mother of her minor children. It also includes GCC investors who are natural persons and resident foreign investors holding valid residency permits and having bank accounts. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is demonstrated to have occurred, then the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million, five hundred thousand (1,500,000) Offer Shares, representing 10% of the total Offer Shares, shall be allocated for Individual Investors. If Individual Investors do not fully subscribe for the full number of allocated shares, the Bookrunner is entitled to reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed for thereby.

18.2 Book-Building for Participating Parties

a) The Company's Financial Advisor will determine the price range for the purposes of book-building and make it available to all Participating Parties.

b) Participating Parties must submit requests to purchase the Offer Shares during the book-building period by filling out and submitting the Application Form. Participating Parties may change or cancel their Application Forms at any time during the book-building process, provided that such change is made by submitting an amended or additional Application Form (where applicable). Such must be completed prior to the determination of the offer price, which shall take place before the start of the Offering Period. The number of Offer Shares to be subscribed for by each Participating Party shall neither be less than one hundred (100,000) shares nor more than two million, four hundred ninety-nine thousand, nine hundred ninety-nine (2,499,999) shares, and in relation to public investment funds only, without exceeding the maximum amount specified for each participating fund determined in accordance with Book Building Instructions. The number of shares shall be subject to allocation. The Bookrunner will notify the Participating Parties of the Offer Price and the number of Offer Shares initially allocated thereto. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Investors, in accordance with the terms and conditions detailed in the Subscription Application Forms.

c) Once the book building process for Participating Parties is completed, the Financial Advisor shall announce the subscription percentage by Participating Parties.

d) The Financial Advisor and the Company shall have the authority to determine the Offer Price as dictated by supply and demand, provided that it does not exceed the price specified in the Underwriting Agreement.

18.3 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of ten (10) Offer Shares and a maximum of 300,000 Offer Shares. Changes to or withdrawal of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be available during the Offering Period at specific Receiving Agents' branches. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Investors who have recently participated in recent initial public offerings can also subscribe through the Internet, banking telephone or ATMs of the Receiving Agents that offer any or all such services to its customers, provided that:

a) The Individual Investor has a bank account with a Receiving Agent which offers such services.

b) There have been no changes to the Individual Investor's personal or private information since he/she last participated in an Offering.

A signed Retail Subscription Form must be submitted to any branches of the Receiving Agents representing a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting it.

Individual Investors may obtain a copy of this Prospectus and the Subscription Application Form from the branches of the following Receiving Agents (the prospectus is also available on the websites of the CMA, the Financial Advisor and the Company):

Receiving Agents	
Saudi National Bank King Abdul Aziz Road P.O. Box 3555 Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 12 649 3333 Fax: +966 12 643 7426 Website: www.alahli.com E-Mail: contactus@alahli.com	SNB الأهلي

Bank Albilad King Abdullah Road, Al-Worood District P.O. Box 140 Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 11 203 9815 Fax: +966 11 401 3030 Website: www.bankalbilad.com Email: customercare@bankalbilad.com	
Saudi British Bank Prince Abdulaziz Ibn Musaid Ibn Jalawi St, Al Murabba P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 11 440 8440 Fax: +966 11 276 3414 Website: www.sabb.com Email: sabb@sabb.com	
Riyad Bank Eastern Ring Road P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 11 401 3030 Fax: +966 11 403 0016 Website: www.riyadbank.com Email: customercare@riyadbank.com	

The Receiving Agents will commence receiving Subscription Application Forms at their branches throughout the Kingdom from Tuesday 20/03/1443H (corresponding to 26/10/2021G) to Thursday 22/03/1443H (corresponding to 28/10/2021G). Once the Subscription Application Form is signed and submitted, the Receiving Agent will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. Individual Investors do not have the right to claim any compensation for damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form. The total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR one hundred (SAR 100) per Offer Share.

Subscriptions for less than ten (10) Offer Shares or fractional numbers will not be accepted. Subscriptions exceeding this number should be made in multiples of ten, with a maximum of three hundred thousand (300,000) Offer Shares.

Subscription Application Forms should be submitted during the Offering Period and accompanied, where applicable, by the following documents. The Receiving Agents shall verify all copies against the originals and will return the originals to the Individual Investor:

- The original and copy of the civil identification card or residency identification card (for Individual Investors, including GCC nationals, and non-Saudi national residents, as applicable).
- The original and copy of the family civil identification card (when subscribing on behalf of family members).
- The original and copy of the power of attorney (when subscribing on behalf of others).
- The original and copy of the certificate of guardianship (when subscribing on behalf of orphans).
- The original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman).
- The original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman).
- The original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, accompanied by a valid original and a copy of the power of attorney. The power of attorney must be notarised by a notary public for Individual Investors residing in the Kingdom and must be legalised through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Investor.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card, if these members apply for the same number of Offer Shares as the primary Investor. In this case:

1) All Offer Shares allocated to the primary Individual Investor and dependent Investors will be registered in the primary Individual Investor's name.
2) The primary Investor will receive any refund of amounts not allocated and paid for by himself and dependent Investors.
3) The primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event the shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

1) The Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor.
2) Dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor.
3) If a wife wishes to subscribe in her name, adding allocated Offer Shares to her account, she must complete a Subscription Application separate from the Subscription Application Form completed by the relevant primary Individual Investor. In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the independent application submitted by the wife will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a primary Individual Investor subscribes for shares for himself and other family members registered in his family book, and a family member submits a separate application, only the application of the family member who submitted a separate application from that of the primary subscriber will be cancelled.

During the Offering Period, only a valid residency will be an acceptable form of identification for non-Saudi dependants. Passports or birth certificates will not be accepted. Non-Saudi dependants can only be included as dependants with their mother and cannot subscribe as primary investors. The maximum age for non-Saudi dependants to be included with their mother is 18 years. Any documents issued by a foreign government must be notarised by a Saudi consulate or embassy in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Investor for an amount equal to the number of shares applied for multiplied by the Offer Price of SAR one hundred (SAR 100) per share. Each Investor shall be deemed to have purchased the number of Offer Shares allocated to them upon meeting the following conditions:

1) Delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Agents.
2) Payment to the Receiving Agent of the total value of the Offer Shares subscribed for.

The total value of subscribed for Offer Shares must be paid in full at a Receiving Agent branch by authorising a debit of the Individual Investor's account held with the Receiving Agent to whom the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject such an application as a whole. The Individual Investor shall accept any number of Offer Shares allocated thereto unless the allocated shares exceed the number of Offer Shares they applied for.

18.4 Allocation and Refunds

The Lead Manager shall open and manage an escrow account for the purpose of depositing and keeping subscription monies collected from Participating Parties and Receiving Agents (on behalf of Individual Investors). These subscription monies shall be transferred to Selling Shareholders only upon completion of the Listing and the deduction of some fees and expenses. Details of said escrow account shall be specified in the Subscription Application Forms. In addition, each of the Receiving Agents shall deposit all amounts received from the Investors into the escrow accounts to be detailed in the Subscription Application Forms for Individual Investors.

The Lead Manager and Receiving Agents, as applicable, will notify the Investors of the final number of Offer Shares allocated, together with the amounts to be refunded.

Excess subscription monies, if any, will be refunded to the Investors in whole without any deductions or fees and will be deposited in the Investors' accounts specified in the Subscription Application Forms.

Announcement of the final allotment and refund of excess subscription monies will be made no later than 29/03/1443H (corresponding to 04/11/2021G) (for more information, see the Section ("**Key Dates and Subscription Procedures**"). Investors should communicate with the Lead Manager or the branch of the Receiving Agents where they submitted their Subscription Application Form, as applicable, for any further information.

18.4.1 Allocation of Offer Shares to Participating Parties

The Financial Advisors, in agreement with the Company, shall determine the Offer Shares allocated for Participating Parties. This shall take place after the allocation of Offer Shares to Individual Investors is completed, provided that the number of Offer Shares initially allocated to Participating Parties is not less than fifteen million (15,000,000) shares representing 100% of the Offer Shares. The final allocation for Participating Parties shall not be less than thirteen million (13,000,000) shares, representing 90% of the Offer Shares.

Transfer of ownership of the Offer Shares will be valid only after the Participating Parties pay the value thereof, commencing from the date of registration in the Company's shareholders' register and the start of trading of the shares on the Exchange, in accordance with the applicable laws and instructions regarding the trading of Saudi shares. If the trading of the Company's shares does not materialise or the Listing is cancelled prior to trading for any reason, the subscription moneys paid by the Participating Parties shall be refunded thereto and title to the Offer Shares shall be returned to the Selling Shareholders.

18.4.2 Allocation of Offer Shares to Individual Investors

The maximum number of Offer Shares allocated to Individual Investors shall be one million, five hundred thousand (1,500,000) Offer Shares representing 10% of the Offer Shares. The minimum allocation per Individual Investor is ten (10) shares, and the maximum allocation per Individual Investor is three hundred thousand (300,000) shares, with the remaining Offer Shares, if any, being allocated on a pro-rata basis based on the portion of the Offer Shares applied for by each Individual Investor out of the total number of shares applied for. In the event that the number of Individual Investors exceeds 150,000 Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares per Individual Investor, and the Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agent.

18.5 Circumstances Where Listing May be Suspended or Cancelled

18.5.1 Power to Suspend Trading or Cancel Listing

a) The CMA may suspend share trading or cancel the listing at any time as it deems fit, where:
   1. The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
   2. The Company fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its implementing regulations or market rules.
   3. The Company fails to pay any fees due to the CMA or the Exchange or penalties due to the CMA on time.
   4. It deems that the Company or its business, the level of its operations or its assets is no longer suitable to warrant the continued listing of shares in the market.

5. A reverse takeover announcement does not contain sufficient information about the proposed transaction. In the event that the Issuer has given sufficient information regarding the target entity and the CMA is satisfied, following the Company's announcement, that sufficient public information is available on the proposed transaction for the reverse takeover, the CMA may decide not to suspend trading at this stage.
6. Information about the proposed transaction for the reverse takeover is leaked, and the Company cannot accurately assess its financial position and inform the market accordingly.
7. A request is filed to commence financial reorganisation procedures before the court under the Bankruptcy Law, for an Issuer whose accumulated losses amounted to 50% or more of the capital thereof.
8. A request is filed to commence liquidation procedures or administrative liquidation procedures for the Issuer before the court under the Bankruptcy Law.
9. A final court ruling is issued to end financial reorganisation procedures and initiate liquidation procedures or administrative liquidation procedures for the Issuer under the Bankruptcy Law.
10. A final court ruling is issued to commence liquidation procedures or administrative liquidation procedures for the Issuer under the Bankruptcy Law.

b) Lifting of a trading suspension imposed under paragraph (a) above is subject to the following:
1. Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension to protect investors.
2. Lifting the suspension is unlikely to affect the normal activity of the Exchange.
3. The issuer's compliance with any other conditions deemed appropriate by the Authority.
4. Upon the issuance of the final court judgement initiating procedures to reorganise the company under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority if the suspension was enforced in accordance with sub-paragraph (7) of Paragraph (a) above.
5. Upon the issuance of a final court judgement dismissing the initiation of liquidation procedures or the administrative liquidation procedures under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority if the suspension was enforced in accordance with sub-paragraph (8) of paragraph (a) above.

c) The Exchange shall suspend trading of the Company's securities where:
1. The Issuer does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the requirements of OSCOs, until such is disclosed.
2. The auditor's report on the Company's financial statements contains an adverse opinion or disclaimer, until the adverse opinion or disclaimer is removed.
3. The liquidity requirements of Chapters 2 and 8 of the Listing Rules are not met after listing, after the time limit set by the Exchange for the Company to rectify its conditions, unless the CMA agrees otherwise.
4. The Issuer's Extraordinary General Assembly issues a decision to reduce its capital, for the two trading days following the issuance of the decision.

d) The Exchange shall lift the suspension referred to in sub-paragraphs (1) and (2) of Paragraph (c) above one trading session after elimination of the reason for the suspension. If the issuer's shares are traded outside the platform, the Exchange shall lift the suspension within a period not exceeding five trading sessions following elimination of the reason for the suspension.

e) The Exchange may, at any time, suggest that the Authority suspend trading or cancel its listing if it believes that any of the cases mentioned in paragraph (a) above is likely to occur.

f) An issuer whose trading of securities has been suspended must continue to abide by the Law, its Executive Regulations and the Exchange rules.

g) If the suspension of securities trading continues for a period of six (6) months without the issuer taking appropriate measures to correct that suspension, the Authority may cancel the listing of the issuer's securities.

h) When an issuer completes a reverse acquisition, the issuer's shares are de-listed. If the issuer wishes to re-list its shares, it must submit a new application to list its shares in accordance with the listing rules and fulfil the relevant requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

18.5.2 Voluntary Cancellation of Listing

a) An issuer whose securities have been listed on the Exchange may not cancel the listing of its securities without the prior approval of the CMA. To obtain CMA approval, the issuer must submit the cancellation application to the CMA along with a simultaneous notice to Exchange. The application must include the following:
   1. The specific reasons for the cancellation request.
   2. A copy of the disclosure described in item (d) below.
   3. A copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the Issuer.
   4. Names and contact information of the financial advisor and legal advisor appointed under the relevant implementing regulations.

b) The CMA may, at its discretion, approve or reject the cancellation request.

c) The Issuer must obtain the approval of the Extraordinary General Assembly on the cancellation of the listing after obtaining CMA approval.

d) Where cancellation is made at the Issuer's request, the Issuer must disclose the same to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation and how it affects the Issuer's activities.

18.5.3 Temporary Suspension of Trading

a) An issuer may request the Exchange to implement a temporary trading suspension when an event occurs during trading hours which requires immediate disclosure under the Capital Market Law, its implementing regulations or the Exchange rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period. In such case, the Exchange suspends trading of the securities of that Issuer as soon as it receives the request.

b) Where a temporary trading suspension is made at the issuer's request, the issuer must announce as soon as possible the reason for the trading suspension, the anticipated period of the trading suspension, the event leading thereto and the event affecting the issuer's activities.

c) The CMA may impose a temporary trading suspension without a request from the issuer, where the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose securities are subject to a temporary trading suspension must continue to comply with the Capital Market Law, its implementing regulations and Exchange rules.

d) The Exchange may propose that the CMA exercise its authority under Paragraph (c) above if it finds that there are information or circumstances that may affect the issuer's activities and that are likely to interrupt the operation of the Exchange or the protection of investors.

e) A temporary trading suspension will be lifted following the elapse of the period referred to in Paragraph (b) above, unless the CMA or the Exchange decide otherwise.

18.5.4 Lifting of Suspension

a) Lifting of a trading suspension under Paragraph (a) of Section 18.5.1 ("**Power to Suspend or Cancel Listing**") is subject to the following:
   1. Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension to protect investors.
   2. Lifting the suspension is unlikely to affect the normal activity of the Exchange.
   3. The Company's compliance with any other conditions that the CMA may require.
   4. Upon the issuance of a final court judgement initiating procedures to reorganise the company under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority.
   5. Upon the issuance of a final court judgement dismissing the initiation of liquidation procedures or administrative liquidation procedures under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority.

b) The Exchange shall lift the suspension referred to in Paragraph (a) of Section 18.5.1 above one trading session after elimination of the reason for the suspension. If the issuer's shares are traded outside the platform, the Exchange shall lift the suspension within a period not exceeding five trading sessions following elimination of the reason for the suspension.

c) The Exchange may, at any time, suggest that the Authority suspend trading or cancel its listing of any listed securities if it believes that any of the cases mentioned in Paragraph (a) of Section 18.5.1 above is likely to occur.
d) An issuer whose trading of securities has been suspended must continue to abide by the Capital Market Law, its Executive Regulations and the Exchange rules.
e) In the event that the listing suspension continues for six (6) months with no appropriate procedure undertaken by the Company to correct such suspension, the CMA may cancel the Company's listing.
f) When the issuer completes a reverse acquisition, the issuer's shares are de-listed. If the issuer wishes to re-list its shares, it must submit a new application to list its shares in accordance with the Listing Rules and meet the relevant requirements set out in the Rules on the Offer of Securities and Continuing Obligations.
g) This paragraph does not prejudice the suspension of trading or cancellation of listing resulting from the Company's losses based on the relevant executive regulations and the Exchange rules.

18.6 Approvals and Decisions for Offering and Listing the Offer Shares

The shares will be offered and listed pursuant to the following decisions and approvals:

1) The General Assembly's approval of the offering issued on 23/7/1441H (corresponding to 18 March 2020G).
2) The CMA's announcement of the approval of the application for listing and offering of securities dated 18/11/1442H (corresponding to 28/06/2021G).
3) The Saudi Stock Exchange's conditional approval of the listing.

18.7 Lock-Up Period

The Substantial Shareholders referred to page (K). of this Prospectus may not dispose of their Shares for six (6) months from the date on which trading in the Offer Shares commences on the Exchange and may only dispose of their respective shares after obtaining the approval of the CMA.

18.8 Subscriber Acknowledgements

By completing and submitting the Subscription Application Form, each Subscriber:

1) Agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form.
2) Declares that he/she has read this Prospectus and understood its content.
3) Accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form and subscribes in the Offer Shares accordingly.
4) Declares that they have not previously subscribed for any shares and that the Company has the right to reject any or all duplicate application forms.
5) Accepts the number of Offer Shares allocated thereto (to the maximum of the amount subscribed for) as per the Subscription Application Form.
6) Undertakes not to cancel or amend the application after it has been submitted to the Lead Manager or the Receiving Agent. For more information about the allocation and refund, please refer to Section 18.4 ("**Allocation and Refunds**").

18.9 Share Record and Trading Arrangements

Tadawul shall keep a shareholders' record containing the shareholders' names, nationalities, addresses, professions, the shares held thereby and the amounts paid for such shares.

18.10 Saudi Tadawul Group

In 1990G, full electronic trading of shares was introduced in the Kingdom. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the Tadawul system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 10 am and 3 pm from Sunday to Thursday, during which orders are executed. However, outside those times, orders can be entered, amended or cancelled from 9:30 to 10 am. Said times are subject to change during the holy month of Ramadan and are announced by Tadawul. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit). If several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link, which supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that transfer of share ownership takes place two working days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information important for the investors via Tadawul. Surveillance and monitoring to ensure fair trading and an orderly market is the responsibility of Tadawul as the market operator.

18.11 Trading Company Shares

It is expected that trading in the shares will commence on Tadawul after finalisation of the allocation process and the announcement of the start date of trading by Tadawul. Following admission, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom of Saudi Arabia, GCC nationals, companies, banks and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Non-Saudi nationals living outside the Kingdom of Saudi Arabia and institutions registered outside the Kingdom of Saudi Arabia will also have the right to invest indirectly to acquire economic benefits in the shares by entering into swap agreements with Authorised Persons to acquire, hold and trade in the shares on the Exchange on behalf of a foreign non-GCC investor. It should be noted that Authorised Persons shall be deemed the legal owners of the shares under the swap agreements.

Furthermore, shares can only be traded after allocated Offer Shares have been credited to Investors' accounts at Tadawul, the Company has been registered and its shares have been listed on the Exchange. Investors entering into any pre-trading activities will be acting at their own risk. The Company and the Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

18.12 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited except for the Foreign Participating Parties subject to the applicable laws and instructions. The Company, the Selling Shareholders, the Financial Advisor, the Lead Manager and the underwriters require all recipients of this Prospectus to review and observe all legal restrictions related to the Offer Shares and their sale.

19- Documents Available for Inspection

The following documents will be available for inspection at the Company's Head Office, between 9 am and 3 pm from 26/02/1443H (corresponding to 03/10/2021G) until 22/03/1443H (corresponding to 28/10/2021G) for a period of no less than 20 days prior to the end of the Offering Period:

- The General Assembly's approval of the Offering dated 23/07/1441H (corresponding to 18 March 2020G).
- Copy of the CMA's announcement of the approval of the Offering.
- The Company's Bylaws as amended and other incorporation documents.
- Company's commercial registration certificate issued by the Ministry of Commerce.
- The Company's audited financial statements for the fiscal years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the interim condensed consolidated financial statements (unaudited) for the period ended June 30, 2021G prepared in accordance with IFRS-Kingdom of Saudi Arabia,.
- Market study report prepared by the Market Consultant.
- All other reports, letters, documents, value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus.
- Letters of consent from each of:
  1. The Financial Advisor, Lead Manager, Bookrunner and Underwriters (GIB Capital and Albilad Investment Company) for the inclusion of their names, logos and statements in this Prospectus.
  2. Baker Tilly MKM & Co. Certified Public Accountants for the inclusion of its name, logo, statements, and financial information in this Prospectus, as the auditor of the Company's audited financial statements for the fiscal years ended 31 December 2018G, 31 December 2019G and 31 December 2020G prepared in accordance with the accounting standards recognised in the Kingdom of Saudi Arabia.
  3. The Financial Due Diligence Advisor (Ernst & Young & Co (Public Accountants)) for the inclusion of its name, logo and statements, if any, in this Prospectus.
  4. The Market Consultant (Frost & Sullivan) for the inclusion of its name, logo and statements, if any, in this Prospectus.
  5. The Legal Advisor (Abdulaziz Alajlan & Partners) for the inclusion of its name and logo in this Prospectus.
- Contracts and agreements disclosed in Section 12.9 ("**Material Agreements with Related Parties**") of this Prospectus.
- The Underwriting Agreement.
- Document explaining the mechanism adopted to determine the price range used in the book-building process.

20- Financial Statements and Auditor's Report

This section contains:

1) Audited financial statements for fiscal year 2018G, together with accompanying notes, which have been prepared in accordance with IFRS-Kingdom of Saudi Arabia.
2) Consolidated audited financial statements for fiscal year 2019G, together with accompanying notes, which have been prepared in accordance with IFRS-Kingdom of Saudi Arabia.
3) Condensed audited financial statements for fiscal year 2020G, together with accompanying notes, prepared in accordance with IFRS-Kingdom of Saudi Arabia
4) the interim condensed consolidated financial statements (unaudited) for the period ended June 30, 2021G, together with accompanying notes, prepared in accordance with IFRS-Kingdom of Saudi Arabia.

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

Independent auditor's report

To the Shareholders
Arabian Contracting Services Company
(Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Arabian Contracting Services Company, a closed joint stock company (the "Company"), which comprises the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement changes in equity and statement of cash flows and for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement adopted by the Saudi Organization for Certified Public Accountants (hereinafter referred to as "IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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 Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information stated within the Annual Report of the Company for the year 2018

The other information comprises the information included in the annual report of the company but does not include the financial statements and our report thereon. The management is responsible for the other information within its annual report. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the annual report of the company, 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, the relevant provisions of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent member of
Baker Tilly International

Mixed Professional Partnership
License 323/11/479 Dated 9/9/1433H
Head Office - Riyadh
C. R. 1010428101

P.O.Box 300467,Riyadh 11372,Kingdom of Saudi Arabia
Tel. : +966 11 455 6918
Fax.: +966 11 455 6915
www.bakertillysaudi.com

Independent auditor's report (Continued)

To the Shareholders
Arabian Contracting Services Company

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of the audit in accordance with the ISAs 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 misstatements within the 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 Company's internal control.
- Evaluate the appropriateness of the accounting policies used and reasonableness of the 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 Company'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 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 our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

BAKER TILLY MKM & CO.
Certified Public Accountants

Ayad Obeyan Alseraihi
License No. 405

Riyadh on Rajab 24, 1440 H
Corresponding to March 31, 2019 G

C P A
BAKER TILLY
M K M & CO.

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

(Expressed in Saudi Riyals)

	Notes	December 31, 2018	31 December 2017 (Note 4)	1 January 2017 (Note 4)
ASSETS				
Non-current assets				
Property, plant and equipment, net	5	**105,726,820**	99,264,701	115,633,681
Investment in unconsolidated subsidiaries	6	**-**	-	1,805,556
Total Non-Current Assets		**105,726,820**	99,264,701	117,439,237
Current assets				
Inventories, net	7	**12,981,598**	12,659,925	12,993,486
Trade receivables, net	8	**288,087,138**	264,613,316	295,620,739
Due from related parties	9	**23,445,366**	189,010,655	74,194,076
Prepayments and other debit balances	10	**299,718,718**	406,854,614	406,321,466
Cash on hand and at banks	11	**18,522,971**	44,722,473	16,585,395
Total Current Assets		**642,755,791**	917,860,983	805,715,162
Total Assets		**748,482,611**	1,017,125,684	923,154,399
Shareholders equity and liabilities				
Shareholders' equity				
Capital	1	**250,000,000**	550,000,000	550,000,000
Statutory reserve	12	**75,000,000**	65,949,128	54,803,116
Retained earnings		**114,321,482**	30,982,553	87,346,701
Total Equity		**439,321,482**	646,931,681	692,149,817
Non-current liabilities				
Employee obligation benefits	13	**12,139,308**	10,342,845	7,338,171
Total Non-Current Liabilities		**12,139,308**	10,342,845	7,338,171
Current liabilities				
Short-term loans	14	**139,384,788**	124,950,000	15,200,000
Due to Related Parties	9	**1,000,000**	-	71,344
Suppliers	15	**2,027,070**	1,252,003	1,207,699
Accrued expenses and other credit balances	16	**145,445,657**	215,951,258	191,138,826
Zakat Provision	17	**9,164,306**	17,697,897	16,048,542
Total Current Liabilities		**297,021,821**	359,851,158	223,666,411
Total liabilities		**309,161,129**	370,194,003	231,004,582
TOTAL EQUITY AND LIABILITIES		**748,482,611**	1,017,125,684	923,154,399

The accompanying notes from 1 to 30 form an integral part of these financial statement

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Saudi Riyals)

	Notes	2018	2017
Revenue		**639,157,093**	612,297,626
Cost of Revenue	18	**(449,023,428)**	(436,011,432)
Gross profit		**190,133,665**	176,286,194
Selling and marketing expenses	19	**(20,369,394)**	(22,316,166)
General and administrative expenses	20	**(22,864,358)**	(23,262,760)
Profit from continuing main operations		**146,899,913**	130,707,268
Finance expenses	21	**(4,649,165)**	(3,816,713)
Other income, net	22	**599,633**	2,031,206
Profit before zakat		**142,850,381**	128,921,761
Zakat	17	**(9,164,306)**	(17,701,092)
Profit for the year		**133,686,075**	111,220,669
Earnings per share from:	23		
Profit from continuing main operations		**2,70**	2,34
Profit for the year		**2,53**	2,02
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of employee benefits obligation	13	**(686,564)**	(2,438,805)
Net OCI that will not be reclassified to profit or loss in subsequent years		**(686,564)**	(2,438,805)
Total comprehensive income		**132,999,511**	108,781,864

The accompanying notes from 1 to 30 form an integral part of these financial statement

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Saudi Riyals)

	Note	Capital	Statutory Reserve	Retained earnings	Total
Balance as at 1 January 2017		550,000,000	54,803,116	88,461,086	693,264,202
Reconciliation adjustments resulting from the application of IFRS		-	-	(1,114,385)	(1,114,385)
Balance as at 1 January 2017		550,000,000	54,803,116	87,346,701	692,149,817
Net profit		-	-	111,220,669	111,220,669
Other comprehensive income		-	-	(2,438,805)	(2,438,805)
Total comprehensive income		-	-	108,781,864	108,781,864
Transfer to statutory reserve	12	-	11,146,012	(11,146,012)	-
Dividends	24	-	-	(154,000,000)	(154,000,000)
Balance as at 31 December 2017		550,000,000	65,949,128	30,982,553	646,931,681
Share capital reduction		**(300,000,000)**	**-**	**-**	**(300,000,000)**
Net profit		**-**	**-**	**133,686,075**	**133,686,075**
Other comprehensive income		**-**	**-**	**(686,564)**	**(686,564)**
Total comprehensive income		**-**	**-**	**132,999,511**	**132,999,511**
Transfer to statutory reserve	12	**-**	**9,050,872**	**(9,050,872)**	**-**
Dividends	24	**-**	**-**	**(40,609,710)**	**(40,609,710)**
Balance as at 31 December 2018		**250,000,000**	**75,000,000**	**114,321,482**	**439,321,482**

The accompanying notes from 1 to 30 form an integral part of these financial statement

ARABIAN CONTRACTING SERVICES COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Saudi Riyals)

CASH FLOW FROM OPERATING ACTIVITIES	2018	2017
		Note 4
Profit before Zakat	**142,850,381**	128,921,761
Adjustment:		
Depreciation	**23,227,091**	24,931,490
Impairment of trade receivables	-	1,000,000
Loss / Gain on disposal of property, plant and equipment	**624,846**	(127,176)
Employees benefits obligation	**1,735,215**	1,438,190
Changes in operating Assets and Liability:		
Trade receivables	**(23,473,822)**	30,007,423
Inventories	**(321,673)**	333,561
Due from /to related parties	**183,641,940**	(115,162,578)
Prepayments and other debit balances	**107,135,896**	(533,148)
Suppliers	**775,067**	44,304
Accrued expenses and other credit balances	**(70,505,601)**	24,812,432
Changes in working capital before employee benefits obligation and Zakat paid	**365,689,340**	95,666,259
Employee benefits obligation Paid	**(625,316)**	(872,321)
Zakat Paid	**(17,697,897)**	(16,051,737)
Net cash flows from operating activities	**347,366,127**	78,742,201
CASH FLOW FROM INVESTING ACTIVITIES		
Proceed from liquidation of subsidiaries	-	1,805,556
Property and equipment additions	**(50,405,725)**	(8,456,281)
Proceeds from disposal of property and equipment	**3,015,018**	295,602
Net cash flows used in investing activities	**(47,390,707)**	(6,355,123)
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term bank loans	**14,434,788**	109,750,000
Reduction in share capital	**(300,000,000)**	-
Dividends paid	**(40,609,710)**	(154,000,000)
Net cash flows used in financing activities	**(326,174,922)**	(44,250,000)
Net change in cash and bank balances	**(26,199,502)**	28,137,078
Cash on hand and at banks as at 1 January	**44,722,473**	16,585,395
CASH AND BANK BALANCES AS AT DECEMBER 31	**18,522,971**	44,722,473
Non-cash transactions:		
Transfer of fixed assets from related parties	-	274,655
Transfer of assets and liabilities to related party	**(17,076,651)**	-

The accompanying notes from 1 to 30 form an integral part of these financial statement

1- ORGANIZATION AND ACTIVITY

Arabian Contracting Services Company (the "Company") is a Saudi Closed Joint Stock registered in Riyadh, Kingdom of Saudi Arabia on 18 Jumada Alula 1403H (corresponding to 2 March 1983) under Commercial Registration No. 1010048419.

The head office of the company located in Olaya Tower, Riyadh city.

The main activities of the company and its branches are in the execution of contracting, construction works, purchase of land for the construction of buildings for the company, establishment and equipping exhibitions, road works, maintenance, mechanical works, building works, import, export and wholesale and retail trade in advertising, promotion, printing materials, supplies and equipment of all kinds.

The Company's share capital of SR 250 million is divided into 25 million shares of SAR 10 each. The shareholders and their contribution as at 31 December 2018 are as follows:

Name	Percentage	Number of Shares	Total (SR)
Abdul Ilah bin Abdul Rahman Al khereiji	82%	20,500,000	205,000,000
Amal Abdullah Saleh AlJa'wini	2%	500,000	5,000,000
Mohammed Abdul - Ilah Abdul Rahman Al khereiji	4%	1,000,000	10,000,000
Fatima Abdul Ilah Abdul Rahman Al khereiji	2%	500,000	5,000,000
Adwaa of Abdul Ilah Abdul Rahman Al khereiji	2%	500,000	5,000,000
Al Anoud Abdul Ilah Abdul Rahman Al khereiji	2%	500,000	5,000,000
Yara Abdul Ilah Abdul Rahman Al khereiji	2%	500,000	5,000,000
Abdul Rahman Abdul Ilah Abdul Rahman Al khereiji	4%	1,000,000	10,000,000
Total	**100%**	**25,000,000**	**250,000,000**

The accompanying financial statements include the activities of the Company and its branches listed below, which operate under the following sub-trade registers:

Branch	Commercial Registration No	Commercial Registration Source	Date of Registration
Rawaeyah printing press factory	057812	Riyadh	14/05/1405
Arabian Contracting service company	058296	Jeddah	12/01/1408
Branch of Arabian Contracting service company	062303	Riyadh	02/07/1406
Arab Painting Manufacturing Factory	275525	Jeddah	30/01/1435

On 30/02/1440 corresponding to 08/11/2018, the Board of Directors of the Arabian contracting company held a meeting and decided to reduce the capital SR by 300 million be SR to 250 million Riyals. This proposal was approved by the Extraordinary General Assembly on 27/03/1440, corresponding to 05/12/2018.

At its meeting held on 6 Jumada II 1437 (corresponding to 15 March 2016), the General Assembly approved the recommendation of the Board of Directors to separate the industrial sector from the service and advertising sector and to sell the assets of the National Signage Industrial Company for SR 59,016,506 to the National Paintings Company for Industry. And the branch's other assets and liabilities have been transferred to National Company for Industrial Panels pursuant to a resolution of the Board of Directors (note 25).

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES :

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and issuances issued by the Saudi Organization for Certified Public Accountants. The Company has prepared and presented its financial statements for all periods up to and including the year ended December 31, 2017 in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants and the requirements of the Saudi Companies Regulations and the Company's Articles of Association.

The financial statements for the year ended December 31, 2018 are the Company's first financial statements in accordance with the International Financial Reporting Standards approved by the Saudi Organization for Certified Public Accountants. The Company transformed from the Saudi Accounting Standards issued by the SOCPA to the application of IFRS that are approved by SOCPA beginning from January 1, 2017.

The accounting policies have been applied retrospectively, unless there are exceptions or exemptions that have been adopted in accordance with International Financial Reporting Standard No. 1, "Adoption of International Financial Reporting Standards for the First Time". The effect of the transition from the application of Saudi accounting standards to the application of International Financial Reporting Standards was disclosed in Note 4.

The transition date to IFRS is defined as "the beginning of the year in which the entity is exposed to full comparative information under IFRS in its first financial statements prepared in accordance with International Financial Reporting Standards." The first financial statements prepared in accordance with International Financial Reporting Standards (IFRS) are defined as "the first annual financial statements in which the entity applies IFRS under the express and unqualified provision to comply with IFRS."

Accordingly, the statement of financial position prepared in accordance with the International Financial Reporting Standards of the Company as at January 1, 2017 (the date of transition to IFRS). The first annual financial statements prepared in accordance with the International Financial Reporting Standards are for the financial year ended December 31, 2018.

The accounting policies adopted are based on the International Financial Reporting Standards, which will be effective when the first annual financial statements are prepared in accordance with International Financial Reporting Standards.

The Company's financial statements have been prepared in accordance with the following:

- Recognition of all assets and liabilities to be recognized under IFRS.
- Non-recognition of assets or liabilities if IFRS does not allow such proof.
- Reclassification of items previously recognized in accordance with Saudi accounting standards as a single type of asset, liability or equity component, but a different type of asset or liability or a component of equity in accordance with IFRS.

The application of international financial reporting standards when all recognized assets and liabilities are measured

Exceptionally, the mandatory exceptions or exemptions mentioned in IFRS 1, "Application of the IFRS for the first time", which do not require or do not allow for recognition, classification or measurement, are applied in accordance with the International Financial Reporting Standard

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement basis

These financial statements have been prepared on the historical cost basis except for the defined benefits of employees which are measured at present value of future liabilities using the expected credit method as well as available for sale financial assets measured at fair value. In addition, these financial statements are prepared using the accrual basis of accounting and the concept of continuity.

Display currency and activity

The financial statements are presented in Saudi Riyals as a functional currency used in the preparation of the financial statements of the head office. All amounts are shown unless otherwise indicated.

Significant accounting judgments estimates and assumptions

The preparation of the financial statements of the Company in accordance with International Financial Reporting Standards requires the management to make estimates and assumptions that may affect the values presented in the financial statements, as these values may differ from previous estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company's significant judgments, estimates and assumptions relating to future reasons are set out below.

Opinions

In the process of applying the Company's accounting policies, management makes the following judgments that have a material effect on the amounts recognized in the Company's financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

The determination of provision for doubtful debts requires estimates. Provision for doubtful debts is recognized when there is objective evidence that the company will be unable to collect its debts. Bad debts are written off when they are determined. The criteria for determining the amount of the provision or the amount to be amortized include aging analyzes, technical assessments and subsequent events. Allocation of provisions and reduction of receivables is subject to management approval.

A provision for doubtful debts is charged to the statement of comprehensive income or loss and disclosed under general and administrative expenses. Trade receivables are derecognized when they are not recoverable from the provision for impairment in the statement of comprehensive income. When subsequent events result in a decrease in the provision for doubtful debts, the impairment of the provision for doubtful debts is reversed through the statement of other comprehensive income.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of in inventory balances

The inventory allocation process requires estimates. The carrying amount of inventories is written down and included in net realizable value when it becomes impaired or becomes obsolete in whole or in part or when selling prices fall.

The criteria for determining the amount of the provision or the amount to be amortized include aging analyzes, technical assessments and subsequent events. The provisions are subject to management approval.

Useful lives of property, plant and equipment

The Company determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined by calculating the expected use of the asset or the corrosive factors and material damage from use. The management revises the residual value and useful lives annually and the future depreciation expense is adjusted when management considers that the useful lives differ from previous estimates.

Impairment of property and equipment

The Company's management assesses the impairment of property and equipment based on events or changes in circumstances indicating that the carrying amount may not be recoverable. Factors that are significant and which result in review for impairment are included in other factors as follows:

- Significant changes in technology and regulatory environment.
- A manual of internal reports indicates that the economic performance of the asset is expected to be bad or will be bad.

Provisions

Provisions are recognized when the Company has

A current or constructive legal obligation, based on past events, are likely to be claims to settle that obligation in the future that will result in outflows and the amount of the obligation can be estimated reliably. Provisions are discounted using the current pre-tax discount rate which reflects the time value of money, where appropriate, the specific risks of liabilities when the impact of the time value of money is significant. The increase in provision due to the passage of time when the deduction is used, is recognized as part of the financing costs in the statement of comprehensive income.

Revenue recognition

The Company recognizes revenue in accordance with the contracts and in accordance with the accrual principle when providing services to customers. Other income is recognized when earned.

Revenue from contracts with customers is recognized when the control over the services rendered to the customer is transferred to the value that reflects the consideration which company expects to be eligible for.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discount granted to customers

The Company provides a discount for some customers when the value of contracts executed during the period exceeds a certain amount in the contract. Discounts are charged against amounts owed by the customer. The Company applies the requirements for the recognition of variable compensation estimates and book the obligation based on future expectation.

Cost of obtaining the contract

The Company pays the costs of tenders and technical studies conducted by third parties in order to obtain contracts. These costs are capitalized and amortized on a straight-line basis over the course of the contract.

Accounts receivable

Accounts receivable are stated at the principal amounts of the invoices, less provisions for doubtful debts. An allowance for doubtful debts is made when there is objective evidence that the Company is unable to collect the amounts due under the original terms of the receivables. Bad debts are written off when determined against the related provisions. Provisions are charged to the income statement. Any subsequent recoveries of receivables previously written off are credited to income.

Accounting convention

The accompanying financial statements have been prepared in accordance with the historical cost convention, the accrual principle and the going concern basis, except for investment in unconsolidated subsidiary where accounted for using the equity method as it`s under liquidation.

Transactions with related parties

Related parties represent all affiliated, associates, major shareholders, directors and senior management of the Company and also include those companies controlled, jointly controlled or influenced by those related parties.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Company presents its assets and liabilities in the statement of financial position on a current or non-current basis. The asset is classified as current assets in the case of:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or

Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CURRENT VERSUS NON-CURRENT CLASSIFICATION (continued)

A liability is current when:

– It is expected to be settled in the normal operating cycle
– It is held primarily for the purpose of trading
– It is due to be settled within twelve months after the reporting period, or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Inventory

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

Investment in a subsidiaries

Investments controlled by the company financially and operationally accounted for using under the equity method so that the investment is stated at cost and adjusted thereafter considering the change in the Company's share in the net assets of the investee. The Company's share in the net profit or loss of the subsidiary for the year is included in the statement of income and the investment value is reduced when the dividend is declared by the subsidiary (if any).

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value, if any. Repairs and maintenance are recognized as expenses, improvement costs and are considered capital expenditures. Depreciation is calculated based on their estimated useful lives using the straight-line method.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings	20
Static and mobile advertising boards	7
Vehicles	4
Furniture & fixtures	10
Equipment	10

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees benefits obligation

The end of service indemnity is recognized in the attached financial statements in accordance with the requirements of the Saudi Labor Law based on the period of the employee's service.

The cost of benefits to employees under defined benefit programs is determined separately for each program using the planned credit unit method.

Re-measurement, consisting of actuarial gains and losses, is recognized immediately in the statement of financial position and within retained earnings through other comprehensive income in the period in which they occur. Re-measurement is not reclassified in the statement of comprehensive income in subsequent periods.

Accrued expenses and other liabilities

The amount of the liability to be paid for goods and services received, whether or not invoiced to the Company, is recognized.

Value Added Tax

Income, expenses and assets are recognized net of sales taxes and value added except for the following:

- If VAT is levied on the acquisition of assets or services that are not recovered from the tax authority, in which case the value added tax is recognized as part of the cost of purchasing the assets or part of the expense item as the case may be.
- Accounts receivable and payables including VAT amount are shown.
- The net VAT that can be recovered from - or paid to - the tax authority is recorded in Accounts Receivable and Accounts payable in the statement of financial position.

Impairment in value of assets

The Company performs a periodic review of the carrying amount of tangible and intangible assets to ensure that there is no evidence of any impairment loss. Where such evidence exists, the recoverable amount of that asset is estimated to determine the extent of the loss. In cases where the recoverable amount of that asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which that asset belongs.

Where the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of that asset or cash-generating unit is reduced to its recoverable amount and the impairment loss is recognized immediately in statement of profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to its recoverable amount, provided that the carrying amount does not exceed the carrying amount that would have been determined if it had not been realized impairment loss on the asset or cash-generating unit in prior years. An impairment loss is recognized as income in the statement of profit or loss.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Zakat

The Company is subject to the regulations of the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is provided on accruals basis. The Zakat charge is computed based on the zakat base or adjusted net income, whichever is higher. Any differences between the provision and the final assessment are recorded when the final assessment is approved, at which time the provision is cleared.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Loans

This is the category most relevant to the Company. After initial recognition, loans bearing commission are measured at amortized cost using the effective interest rate method. Gains or losses are recognized in the statement of comprehensive income when the obligations are paid, and also through the amortization of the effective commission rate.

Violation of loan provisions

The provisions of some short- and long-term loan agreements require the Company to maintain its financial position at specified levels, requiring prior approval by the lenders of dividend payments more than specified amounts, and specifying the amounts of capital expenditure and other requirements if the Company has breached certain financial terms relating to facility agreements Credit.

None of the lending banks exercise their right to cancel credit facilities or expedite the schedule of future payments. The Company's management believes that there are no irregularities affecting the maturity of these available loans.

Foreign currency

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions and balances

translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item. (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Expenses

Selling and distribution expenses consist primarily of the costs incurred to market the Company's activities. Other expenses are classified as general and administrative expenses.

Cash and cash equivalents:

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are not exposed to significant changes in value.

For the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Expected loss form contracts

If the Company has an expected loss on a contract, the present obligation under the contract is recognized and measured as a provision. However, prior to make a separate provision for an expected losing contract, the Company recognizes any impairment losses in the assets assigned to that contract.

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 determined to use a certain asset or assets, or the agreement renders the right to use a particular asset or assets even if this right is not expressly stated in the contract.

For arrangements made prior to 1 January 2016, the commencement date is 1 January 2016 in accordance with IFRS 1 Adoption of International Financial Reporting Standards for the first time.

Company as a lessee

At the inception of the lease, the finance lease is capitalized based on which substantially all the risks and rewards associated with the acquisition of the leased item are transferred to the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are distributed using the interest rate prevailing between the financial expense and the decrease in the lease obligation to achieve a constant rate of interest on the outstanding balance of the liability. Financial expenses are recognized in the statement of comprehensive income.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Company as a lessee (Continued)

Leasehold assets are depreciated over the useful life of the asset, but in the absence of an acceptable assurance that the Company will acquire ownership at the end of the lease term, the asset is depreciated over the estimated useful life of the asset or lease period, whichever is shorter.

Operating lease is a lease other than a finance lease. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Company as a lessor

The total amounts payable under finance leases less unearned financing income are presented in the statement of financial position as net investment in finance leases. Finance income is recognized in other income in the statement of comprehensive income. The initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. The potential rentals are recognized when acquired.

The standards and estimates issued and effective from 1 January 2018 are as follows:

International Financial Reporting Standard No. 9 - Financial Instruments:

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9: Financial Instruments, which replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9). The Standard combines all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 applies to annual periods beginning on or after 1 January 2018 and allows for early adoption. Except for hedge accounting.

It should be applied retroactively but comparative information is not mandatory. For risk-hedge accounting, requirements are generally applied in the future with limited exceptions.

The Company adopted the new standard at the required effective date and carried out a high impact assessment of all three aspects of IFRS 9. This initial assessment is based on information currently available and may be subject to changes resulting from additional detailed analyzes or reasonable additional information that the Company has in the future. In general, there was no material impact on the statement of financial position and equity except for the effect of applying the impairment requirements in IFRS 9.

Classification and Measurement

The Company does not expect to have a material impact on its statement of financial position or equity when applying the classification and measurement requirements of IFRS 9. The Company anticipates that all financial assets currently acquired at fair value will continue to be measured at fair value.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Decrease in value

IFRS 9 requires the Company to record expected credit losses on its trade receivables either over a period of 12 months or based on the age of those instruments. The Company expects to apply the easier method and record the expected loss life for all trade receivables. The Company also expects no significant impact on its equity due to the nature of trade receivables.

Risk hedging accounting

The Company believes that all existing risk hedging instruments currently designated as effective hedging instruments will remain eligible to hedge risk accounting in accordance with IFRS 9. As IFRS 9 does not change the general principles of how an entity is accounted for effective hedging instruments, the Company does not foresee any material impact as a result of the adoption of IFRS 9.

International Financial Reporting Standard No. 15 - Revenue from Contracts with Customers

This standard was issued in May 2014 and identified a five-step process for accounting for revenue generated from contracts with customers. Under this Standard, revenue is recognized by the amount that reflects the amount that the entity is expected to receive in return for the transfer of goods or services to customers.

International Financial Reporting Standard No. 15 - Revenue from Contracts with Customers (Continued)

The new revenue criterion will replace all current income recognition requirements in IFRS. The standard is fully or retroactively applied to annual periods beginning on or after 1 January 2018 and early adoption is permitted. The Company is currently assessing the impact of this standard on the financial statements.

3- International standards for the new financial report issued and amendments that have not yet entered into force and which should be applied as of 2019

The following are the standards issued but not effective until the date of the accompanying financial statements of the Company. The Company intends to apply these standards when they become effective if they apply to the Company's activities. And is not expected to have a material impact on the financial statements.

Standard / amendments	Effective date of periods beginning on or after
IFRS 16 "Leases"	1 January 2019

The standards and interpretations issued and not yet effective are disclosed below and the Company intends to adopt these standards if applicable when they become effective.

3- International standards for the new financial report issued and amendments that have not yet entered into force and which should be applied as of 2019 (Continued)

International Financial Reporting Standard No. 16 - Leases

IFRS 16 was issued in January 2016 and supersedes IAS 17 Leases and IFRIC 4, Determining whether an arrangement contains a lease and interpretation No. 15 of the International Financial Reporting Interpretations Committee Standing Interpretations Committee - Operating Leases - Incentives and Interpretation No. 27 of the Standing Interpretations Committee Evaluate the substance of transactions involving the legal form of the lease.

IFRS 16 establishes principles of recognition, measurement, presentation and disclosure of leases and requires tenants to account for all leases as items included in the statement of financial position and similar to accounting for finance leases under IAS 17. The standard includes two leases to prove the lease - leases of "low value" assets (for example, personal computers) and short-term leases (i.e. leases of 12 months or less).

At the inception of the lease, the lessee will demonstrate an obligation to make the lease payments (i.e., the lease obligation) and to prove the asset that represents the right to use the asset in question during the lease term (i.e. the right to use the asset). Requires tenants to demonstrate commission expense separately on the lease obligation and depreciation expense on the right to use the asset.

It also requires tenants to re-measure the lease obligation when certain events occur (for example, a change in the lease term or a change in future lease payments resulting from a change in a benchmark or rate used to determine those payments). The lessee will generally demonstrate the amount of the re-measurement of the lease obligation as an adjustment to the right to use the asset.

The method of accounting of the lessor under IFRS 16 has not changed significantly from the accounting method under IAS 17. Lenders will continue to classify all leases using the same classification principle as in IAS 17 and will distinguish between two types of leases: operating leases and finance leases.

International Financial Reporting Standard No. 16 requires tenants and lessors to make more comprehensive disclosures from IAS 17.

IFRS 16 applies to annual periods beginning on or after 1 January 2019. Early adoption is permitted but should be followed by International Financial Reporting Standard No. 15. The tenant can choose to apply the standard either retroactively or retroactively. The transitional provisions of the standard allow for certain exemptions.

The Company intends to apply the new standard on the effective date.

4- IFRS First time adoption

The financial statements for the year ended December 31, 2018 are the first financial statements prepared by the Company in accordance with International Financial Reporting Standards. The Company has prepared the financial statements for all prior periods including the year ended December 31, 2017 in accordance with local standards.

Accordingly, the Company has prepared the financial statements - in line with the International Financial Reporting Standards adopted in Saudi Arabia which are effective for periods beginning on or after January 1, 2017, with comparative period data. At the time of preparing the accompanying financial statements, the Company's financial position statement was prepared as of January 1, 2017 following certain adjustments required as a result of the adoption of the International

4- IFRS First time adoption (Continued)

Financial Reporting Standards for the first time adopted in Saudi Arabia.

In preparing the statement of financial position as at January 1, 2017, in accordance with the International Financial Reporting Standards adopted in Saudi Arabia and the financial statements for the year ended December 31, 2017, the Company has examined the impact and reconciliations of amounts previously recorded in the financial statements prepared in accordance with generally accepted accounting standards In Saudi Arabia.

Exemptions applicable

The Financial Reporting Standard No. 1 for those applying the IFRS for the first time allows for certain exemptions from retroactive application of certain IFRS requirements.

The Company has used the following exemptions:

- The Company has adopted the transition guidance in IFRIC 4 "Determination of an arrangement involving a lease", considering all arrangements based on the circumstances at the date of the transition.
- The Company has adopted the transition guidance in IAS 23 "Borrowing Costs" and has capitalized borrowing costs on qualifying assets after the transition date and has not adjusted borrowing costs capitalized on qualifying assets by local standards prior to the transition date.
- The Company has used the exemption for contracts performed under IFRS 1 "International Financial Reporting Standards for the First Time". Accordingly, the Company did not repurchase contracts concluded prior to January 1, 2017.
- The Company has adopted the transition guidance in IFRS 15, "Revenue from Contracts with Customers", using the transaction price as at the date of the completed contract, which includes a variable premium rather than an estimate of the variable amount of compensation in the comparative reporting periods.

Estimates

Estimates as at January 1, 2017 and December 31, 2017 are in line with estimates made in accordance with local standards, except for adjustments required as a result of changes in accounting policies, except for the provision for employees' end of service provision, where the use of local standards results in different estimates.

The estimates used by the management to show these amounts in accordance with International Financial Reporting Standards reflect the circumstances as at January 1, 2017, the date of transition to IFRS and as at December 31, 2017.

4- IFRS First time adoption (Continued)

Company reconciliation of financial position as at January 1, 2017 (date of transition to IFRS):

	According to local GAAP as at January 1, 2017	Re-measurement	According to IFRS as at January 1, 2017
ASSETS			
Non-current assets			
Property, plant and equipment, Net	115,633,681	-	115,633,681
Investment in unconsolidated subsidiaries	1,805,556	-	1,805,556
Total Non-Current Assets	117,439,237	-	117,439,237
Current assets			
Inventories, Net	12,993,486	-	12,993,486
Trade Receivable, Net	295,620,739	-	295,620,739
Due from Related Parties	74,194,076	-	74,194,076
Prepayments and debit balances	406,321,466	-	406,321,466
Cash on hand and at banks	16,585,395	-	16,585,395
Total Current Assets	805,715,162	-	805,715,162
Total Assets	923,154,399	-	923,154,399
Shareholders equity and liabilities			
Shareholders' equity			
Capital	550,000,000	-	550,000,000
Statutory reserve	54,803,116	-	54,803,116
Retained earnings	88,461,086	(1,114,385)	87,346,701
Total Equity	693,264,202	(1,114,385)	692,149,817
Non-current liabilities			
Employee benefits obligation	6,223,786	1,114,385	7,338,171
Total Non-Current Liabilities	6,223,786	1,114,385	7,338,171
Current liabilities			
Short-term loans	15,200,000	-	15,200,000
Due to Related Parties	71,344	-	71,344
Suppliers	4,518,983	(3,311,284)	1,207,699
Accrued expenses and other credit balances	187,827,542	3,311,284	191,138,826
Zakat Provision	16,048,542	-	16,048,542
Total Current Liabilities	223,666,411	-	223,666,411
Total liabilities	229,890,197	1,114,385	231,004,582
TOTAL EQUITY AND LIABILITIES	923,154,399	-	923,154,399

4- IFRS First time adoption (Continued)

Company reconciliation of equity as at December 31, 2017 (Date of transition to IFRS):

	According to local GAAP as at December 31, 2017	Re-measurement	According to IFRS as at December 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	99,264,701	-	99,264,701
Investment in unconsolidated subsidiaries	-	-	-
Total Non-Current Assets	99,264,701	-	99,264,701
Current assets			
Inventories, Net	12,659,925	-	12,659,925
Trade Receivable, Net	264,613,316	-	264,613,316
Due from Related Parties	189,010,655	-	189,010,655
Prepayments and other debit balances	406,854,614	-	406,854,614
Cash on hand and at banks	44,701,858	20,615	44,722,473
Total Current Assets	917,840,368	20,615	917,860,983
Total Assets	1,017,105,069	20,615	1,017,125,684
Shareholders equity and liabilities			
Shareholders' equity			
Capital	550,000,000	-	550,000,000
Statutory reserve	65,949,128	-	65,949,128
Retained earnings	34,775,190	(3,792,637)	30,982,553
Total Equity	650,724,318	(3,792,637)	646,931,681
Non-current liabilities			
Employee benefits obligation	7,368,289	2,974,556	10,342,845
Total Non-Current Liabilities	7,368,289	2,974,556	10,342,845
Current liabilities			
Short-term loans	124,950,000	-	124,950,000
Suppliers	2,556,511	(1,304,508)	1,252,003
Accrued expenses and other credit balances	214,626,135	1,325,123	215,951,258
Zakat Provision	16,879,816	818,081	17,697,897
Total Current Liabilities	359,012,462	838,696	359,851,158
Total liabilities	366,380,751	3,813,252	370,194,003
TOTAL EQUITY AND LIABILITIES	1,017,105,069	20,615	1,017,125,684

4- IFRS First time adoption (Continued)

Company reconciliation of total comprehensive income for the year ended December 31, 2017:

	According to local GAAP for year ended December 31, 2017	Re-measurement	According to IFRS for year ended December 31, 2017
Revenue	612,297,626	-	612,297,626
Cost of Revenue	(436,011,432)	-	(436,011,432)
Gross profit	176,286,194	-	176,286,194
Selling and marketing expenses	(22,316,166)	-	(22,316,166)
General and administrative expenses	(24,116,784)	854,024	(23,262,760)
Profit from continuing main operations	129,853,244	854,024	130,707,268
Finance expenses	(3,541,323)	(275,390)	(3,816,713)
Other income, net	2,031,206	-	2,031,206
Profit before zakat	128,343,127	578,634	128,921,761
Zakat	(16,883,011)	(818,081)	(17,701,092)
Net Profit	111,460,116	(239,447)	111,220,669
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of employee benefits obligation	-	(2,438,805)	(2,438,805)
Net OCI that will not be reclassified to profit or loss in subsequent years	-	(2,438,805)	(2,438,805)
Total comprehensive income	111,460,116	(2,678,252)	108,781,864

Company reconciliation of cash flows for the year ended December 31, 2017:

	According to local GAAP for year ended December 31, 2017	Re-measurement	According to IFRS for year ended December 31, 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before Zakat	128,343,127	578,634	128,921,761
adjustment:			
Depreciation	24,931,490	-	24,931,490
Impairment f Trade Receivables	1,000,000	-	1,000,000
Loss / Gain on disposal of property, plant and equipment	(127,176)	-	(127,176)
Employee benefits obligation	2,016,824	(578,634)	1,438,190
Changes in Operating Assets and Liability			
Trade receivables	30,007,423	-	30,007,423
Inventories	333,561	-	333,561

4- IFRS First time adoption (Continued)

	According to local GAAP for year ended December 31, 2017	Re-measurement	According to IFRS for year ended December 31, 2017
Due from /to Related Parties	(115,162,578)	-	(115,162,578)
Prepayments and debit balances	(533,148)	-	(533,148)
Suppliers	(1,962,472)	2,006,776	44,304
Accrued expenses and other credit balances	26,798,593	(1,986,161)	24,812,432
Changes in working capital before employee benefits obligation and Zakat paid	95,645,644	20,615	95,666,259
Employee benefits obligation Paid	(872,321)	-	(872,321)
Zakat Paid	(16,051,737)	-	(16,051,737)
Net cash flows from operating activities	78,721,586	20,615	78,742,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from liquidation of subsidiaries	1,805,556	-	1,805,556
Property and equipment additions	(8,456,281)	-	(8,456,281)
Proceeds from disposal of property and equipment	295,602	-	295,602
Net cash flows used in investing activities	(6,355,123)	-	(6,355,123)
CASH FLOW FROM FINANCING ACTIVITIES			
Short-term bank loans	109,750,000	-	109,750,000
Dividends paid	(154,000,000)	-	(154,000,000)
Net cash flows used in financing activities	(44,250,000)	-	(44,250,000)
Net change in cash and bank balances	28,116,463	20,615	28,137,078
Cash on hand and at banks as at 1 January	16,585,395	-	16,585,395
CASH AND BANK BALANCES, DECEMBER 31	44,701,858	20,615	44,722,473
Non-Cash transactions:			
Transfer of fixed assets from related parties	274,655	-	274,655

Company reconciliation of the shareholders' equity for the years ended 31 December 2017 and 1 January 2017

	(Saudi Riyal)		
	Local GAAP	Re-measurement	IFRS as at December 31, 2017
Share Capital	550,000,000	-	550,000,000
Statuary Reserve	65,949,128	-	65,949,128
Retained Earnings	34,775,190	(3,792,637)	30,982,553
Total	**650,724,318**	**(3,792,637)**	**646,931,681**

4- IFRS First time adoption (Continued)

	(Saudi Riyal)		
	Local GAAP	Re-measurement	IFRS as at January 1, 2017
Share Capital	550,000,000	-	550,000,000
Statuary Reserve	54,803,116	-	54,803,116
Retained Earnings	88,461,086	(1,114,385)	87,346,701
Total	**693,264,202**	**(1,114,385)**	**692,149,817**

Notes about reconciliation of the financial position and equity as of January 1, 2017 and December 31, 2017.

a. **Actuarial valuation of employee benefit obligations;**

In accordance with International Financial Reporting Standards adopted in Saudi Arabia, employee benefit obligations are to be calculated using actuarial valuations. Historically, in certain regions, the Company has calculated some of these obligations based on the local obligations existing at the reporting date without considering the expected future service periods for employees, salary increases and discount rates. This change resulted in an increase in the staff benefit liability balances and a decrease in retained earnings in the statement of financial position.

b. **Other**

In addition to adjustments arising from the adoption of IFRS, certain items have been reclassified in the statement of financial position to meet the presentation and disclosure requirements of the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and have not resulted in any additional impact on shareholders' equity or comprehensive income statement.

5- PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Static and animated billboards	Motor vehicles	Office equipment and furniture	Equipment	Work in progress	Total
	SR	SR	SR	SR	SR		SR	SR
Cost								
At January 1, 2016	20,868,980	31,773,370	134,599,977	11,679,510	5,667,558	56,888,688	21,319,578	282,797,661
Additions	-	-	22,311,287	2,154,704	828,938	2,665,913	7,458,282	35,419,124
Transfers	-	3,807,143	-	1,529,204	1,374,300	-	(6,710,647)	-
Disposals	-	(76,500)	(5,726,550)	(2,880,424)	(2,455,410)	(5,563,668)	(7,047,153)	(23,749,705)
Transferred to a related party	(20,868,980)	(19,411,957)	-	(3,405,163)	(1,357,523)	(15,145,455)	(413,112)	(60,602,190)
At January1, 2017	-	16,092,056	151,184,714	9,077,831	4,057,863	38,845,478	14,606,948	233,864,890
Additions	-	76,500	5,265,260	207,248	205,808	169,360	2,532,105	8,456,281
Transfers	-	-	2,691,394	-	-	-	(2,691,394)	-
Disposals	-	-	(2,439,870)	(287,800)	-	-	-	(2,727,670)
*Transferred to a related party	-	-	-	-	-	274,655	-	274,655
At January 1, 2018	-	16,168,556	156,701,498	8,997,279	4,263,671	39,289,493	14,447,659	239,868,156
Additions	-	-	**2,457,069**	**169,900**	**99,224**	**543,854**	**47,135,678**	**50,405,725**
Conversions	-	-	**25,154,846**	**-**	**-**	**-**	**(25,154,846)**	**-**
Disposals	-	-	**(22,119,319)**	**(609,495)**	**(221,525)**	**(3,013,615)**	**(243,960)**	**(26,207,914)**
Transferred to a related party	-	-	-	-	-	-	(17,076,651)	(17,076,651)
At December 31, 2018	**-**	**16,168,556**	**162,194,094**	**8,557,684**	**4,141,370**	**36,819,732**	**19,107,880**	**246,989,316**

5- PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Static and animated billboards	Motor vehicles	Office equipment and furniture	Equipment	Work in progress	Total
	SR	SR	SR	SR	SR		SR	SR
Accumulated depreciation								
At January 1, 2016	-	7,950,521	67,135,957	7,830,909	2,855,378	25,429,264	-	111,202,029
Charge for the year	-	830,815	19,680,860	1,662,746	376,231	3,527,825	-	26,078,477
Disposals	-	-	(4,294,757)	(1,453,894)	(1,644,784)	(3,993,066)	-	(11,386,501)
* Transferred to a related party	-	(1,909,437)	-	(2,480,574)	(413,341)	(2,859,444)	-	(7,662,796)
At January 1, 2017	-	6,871,899	82,522,060	5,559,187	1,173,484	22,104,579	-	118,231,209
Charge for the year	-	667,582	19,096,477	1,369,054	687,029	3,111,348	-	24,931,490
Disposals	-	-	(2,439,870)	(119,374)	-	-	-	(2,559,244)
At January 1, 2018	-	7,539,481	99,178,667	6,808,867	1,860,513	25,215,927	-	140,603,455
Charge for the year	**-**	**619,545**	**17,941,572**	**1,177,947**	**590,227**	**2,897,800**	**-**	**23,227,091**
Disposals	-	-	(19,085,294)	(609,494)	(207,864)	(2,665,398)	-	(22,568,050)
At December 31, 2018	-	**8,159,026**	**98,034,945**	**7,377,320**	**2,242,876**	**25,448,329**	**-**	**141,262,496**
Net book values								
At December 31, 2018	-	**8,009,530**	**64,159,149**	**1,180,364**	**1,898,494**	**11,371,403**	**19,107,880**	**105,726,820**
At December 31, 2017	-	8,629,075	57,522,831	2,188,412	2,403,158	14,073,566	14,447,659	99,264,701
At January 1, 2017	-	9,220,157	68,662,654	3,518,644	2,884,379	16,740,899	14,606,948	115,633,681

*The land and buildings that sold to a related party (National Signage industrial company) are still under the name of Arabian Contacting Service Company and ownership transfer to National Signage industrial company are still in the process.

5- PROPERTY, PLANT AND EQUIPMENT (Continued)

Fully depreciated assets costs still in use and stated as follows:

	December 31, 2018	December 31, 2017
	SR	SR
Buildings	**3,777,716**	3,659,009
Static and animated billboards	**33,522,573**	27,799,509
Motor vehicles	**4,509,814**	4,128,832
Office equipment and furniture	**133,835**	131,647
Equipment	**10,623,330**	9,470,304
Total	**52,567,268**	45,189,301

Distribution of depreciation on expenses:

	December 31, 2018	December 31, 2017
	SR	SR
Cost of activity	**22,420,324**	24,073,688
General and administrative expenses	**806,767**	857,802
Total	**23,227,091**	24,931,490

Profits (losses) arising from disposal of fixed assets:

	December 31, 2018	December 31, 2017
	SR	SR
Cost of disposed assets excluded	**26,207,914**	2,727,670
Total depreciation	**(22,568,050)**	(2,559,244)
Net book value	**3,639,864**	168,426
Proceeds from disposed	**3,015,018**	295,602
(Loss) Gain from disposed (Note 22)	**(624,846)**	127,176

6- Investment in unconsolidated subsidiaries

At its meeting held on December 27, 2016, the Company's Board of Directors resolved to liquidate the subsidiaries listed below. Accordingly, the financial statements of these companies have not been consolidated.

The investments are owned by the following companies:

Company Name	Legal Entity	Country	Ownership %
*Rawaeyah printing press factory	Limited liabilities company	United Arab Of Emirates	49%
*Media Solution Company	Limited liabilities company	United Arab Of Emirates	100%

*The Company's share of the subsidiary's profits and losses is 80% as mentioned in the Article of associations.

6- Investment in unconsolidated subsidiaries (Continued)

The movement on investment during the year ended December 31 is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Balance as of January 1	**-**	1,805,556	2,851,323
Share in subsidiary, net profit	**-**	-	641,421
Received dividends	**-**	-	(1,687,188)
Collected from subsidiary liquidation	**-**	(1,805,556)	-
Balance as of December 31	**-**	-	1,805,556

7- Inventories, net

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Paper and other materials	**12,460,887**	12,327,657	12,958,753
Spare parts	**1,527,798**	1,339,355	1,041,820
	13,988,685	13,667,012	14,000,573
Less: provision for slow moving inventory	**(1,007,087)**	(1,007,087)	(1,007,087)
	12,981,598	12,659,925	12,993,486

8- Trade receivables, net

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Trade receivables	**289,887,138**	266,413,316	296,420,739
Impairment of trade receivables	**(1,800,000)**	(1,800,000)	(800,000)
	288,087,138	264,613,316	295,620,739

The movement in the impairment of trade receivables in the year ended December 31:

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Addition	**-**	1,000,000	-
Balance as of December 31,	**1,800,000**	1,800,000	800,000

8- Trade receivables, net (Continued)

The table of the analysis of trade receivables as at December 31 is as follows:

Balances that are past due and have not been impaired

	Less than 30 days	From 30 days to 90 days	From 90 days to 180 days	From 180 days to 365 days	More than 365 days	Total
	SR					
2018	**61,668,340**	**88,323,886**	**65,560,850**	**70,612,615**	**1,921,447**	**288,087,138**
2017	43,032,121	121,708,949	53,456,275	39,870,792	6,545,179	264,613,316
2016	50,271,429	74,341,943	106,382,101	64,301,995	323,271	295,620,739

The credit period granted to customers ranges from 30 to 90 days and no commissions are charged to these accounts, The Company makes impairment of trade receivables taking into consideration several factors including the age of the receivables and the financial position of the customers where available, Concentrations of credit risk are limited because the customer base is large and the customer is not linked, no clients account for more than 10% of the total balance of trade receivables.

9- Balances and transactions with related parties

During the year, the Company has entered into transactions with the related parties described below. The terms of these transactions and expenses have been approved by the Company's management and are similar to normal course of business transaction of the company. The transactions registered below were carried out with the following entities:

Name of Institution	Nature of Relationship
Skill of House for Contracting and Trading Company	Affiliate
National Signage Industrial Company	Affiliate
Elegant hotel company	Affiliate
Almayzah company	Affiliate
Skill of House for Contracting and Trading Company	Affiliate
Multaka Al Zad Company	Affiliate
Alhadf Almomayz Holding Company	Affiliate

Balances and transactions with related parties (Continued)

Related party	Nature of transaction	2018	2017
		SR	SR
Elegant hotel company	Cash transfers	**183,000,000**	70,000,000
Skill of House for Contracting and Trading Company	Cash transfers	**15,812,201**	14,101,465
National Signage Company for Industry	Cash transfers	**87,139,49**	6,500,000
National Signage Company for Industry	Expenses	**-**	14,150,940
Skill of House for maintenance	Expenses	**2,000,000**	467,900

9- Balances and transactions with related parties (Continued)

Related party	Nature of transaction	2018	2017
		SR	SR
Elegant hotel company	Expenses	**3,959,653**	924,240
National Signage Company for Industry	Salaries, wages and other benefits	**6,368,715**	8,568,458
Almayzah company	Commissions to senior management members	**58,499,636**	2,100,000
Rawaeyah printing press factory (UAE)	Purchase of property and equipment (note 5)	-	274,655
Improved Digital system company	Net transfer of assets and liabilities (note 5)	**17,076,560**	-
Multaka Al Zad Company	Cash transfers	**1,003,953**	-
Alhadf Almomayz Holding Company	Cash transfers	**2,226,873**	-

The amounts due from related parties is as follows

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Industrial Digital Systems Company	**17,076,651**	-	-
National Signage Industrial Company	**6,368,715**	71,605,883	74,194,076
Skill of House for Contracting and Trading Company	**-**	12,878,288	-
Almayzah Company	**-**	10,356,257	-
Elegant Hotel Company	**-**	93,668,149	-
Skill of House for maintenance	**-**	492,025	-
Multaka Al Zad Company	**-**	3,953	-
Alhadf Almomayz Holding Company	**-**	6,100	-
	23,445,366	189,010,655	74,194,076

The amounts due to related parties is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Elegant hotel company	**1,000,000**	-	62,680
Almayzah company	**-**	-	8,664
	1,000,000	-	71,344

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

10- Accrued expenses and other payables:

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Rental of prepaid billboards	**288,660,202**	396,503,503	301,074,929
Advances to suppliers and prepaid expenses	**4,941,266**	6,353,053	97,681,502
Receivables staff	**3,579,524**	2,565,894	2,253,623
Cash margin deposit (note 27)	**2,298,953**	1,432,164	5,309,534
Other	**238,773**	-	1,878
	299,718,718	406,854,614	406,321,466

11- Cash and cash equivalents:

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Cash with banks	**17,257,922**	41,442,497	15,191,104
Cash in the Fund	**1,265,049**	3,279,976	1,394,291
	18,522,971	44,722,473	16,585,395

12- Statutory reserve

In accordance with the requirements of the Saudi Companies Regulations, the Company establishes a statutory reserve of 10% of net profit until this reserve reaches 30% of the capital, this reserve is not available for distribution as dividends.

13- Employee benefits obligation

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Balance as at 1 January	**10,342,845**	7,338,171	4,801,080
Measurement differences due to application of international reporting standards	**-**	-	3,401,529
Current services cost	**1,377,137**	1,162,800	2,378,524
Interest expense	**358,078**	275,390	337,919
Re-measurement loaded into other comprehensive income	**686,564**	2,438,805	(2,509,222)
transfer to related parties	**-**	-	(757,819)
paid	**(625,316)**	(872,321)	(313,840)
Balance as at December 31,	**12,139,308**	10,342,845	7,338,171

13- Employee benefits obligation (Continued)

Key actuarial assumptions:

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
User discount rate	**4,31%**	3,57%	3,99%
Salary increase rate	**5,5%**	5,5%	5,5%
Employee turnover	**Medium**	Medium	Medium

The sensitivity analysis of the main actuarial assumptions is analyzed below:

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Discount Rate 1% (+/-)			
Increase	**11,263,985**	9,551,071	6,809,320
Decrease	**13,158,806**	11,272,947	7,954,155
Expected salary increase ratio 1% (+/-)			
Increase	**13,136,194**	11,245,245	7,938,498
Decrease	**11,265,461**	9,557,584	6,811,716

14- Short-term loans

The Company have obtained bank facilities in the form of short-term loans and letters of guarantee from local commercial banks amounting to SR 200 million, the utilized portion of these loans amounted to SR 139,384,788 as at 31 December 2018 (2017: 124,950,000) (2016: 15,200,000) SR). These loans are subject to interest rates prevailing in Saudi banks plus an agreed profit margin.

These loans have been obtained from several commercial banks and are charged at market prices based on interbank offer prices in addition to a fixed margin, Management intends to recycle short-term loans as they mature.

The carrying amount of short-term loans is denominated in Saudi riyals and is secured by personal guarantees from one of the shareholders of the company, A bond of SR 200 million is payable upon request, the agreements include several bank commitments relating to financial ratios and total deposits, which were complied with by the Company on 31 December 2018.

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Alawal bank	**20,000,000**	-	-
SABB	**24,918,750**	25,000,000	-
Banque Saudi Fransi	**89,466,038**	99,950,000	15,200,000
ANB	**5,000,000**	-	-
	139,384,788	124,950,000	15,200,000

15- Suppliers

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Suppliers	**2,027,070**	1,252,003	1,207,699

16- Accrued expenses and other credit balances

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Rents of secured contracts	**106,030,349**	180,091,773	128,020,368
Discounts due to customers	**26,056,013**	20,192,150	37,287,548
Accrued commissions	**6,078,408**	4,164,509	3,573,472
VAT	**2,737,569**	-	-
Unearned revenue	**2,334,279**	3,658,462	-
Advances payments from customers	**135,809**	5,654,161	18,560,377
Other	**2,073,230**	2,190,203	3,697,061
	145,445,657	215,951,258	191,138,826

17- Zakat:

The main elements of Zakat are as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
		SR	
Equity capital	**250,000,000**	550,000,000	550,000,000
Net adjusted income	**142,850,381**	131,559,951	130,280,361
Property, equipment and projects under construction and other spare parts	**(107,173,654)**	(100,604,056)	(116,675,051)
Provisions, reserves and others	**77,736,930**	94,236,733	78,336,823

The movement for Zakat for the year ended December 31 is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
	SR	SR	SR
Balance on 1 January	**17,697,897**	16,048,542	12,780,649
Charged for the year	**9,164,306**	17,701,092	16,048,542
Differences of previous years	**-**	-	1,374,295
Paid during the year	**(17,697,897)**	(16,051,737)	(14,154,944)
Balance at 31 December	**9,164,306**	17,697,897	16,048,542

17- Zakat (Continued)

Status of certificates and assessments:

The Company received final zakat certificates for the years up to 2007, the assessments for the years from 2008 to 2017 are still under review by GAZT.

18- Cost of revenue

	December 31, 2018	December 31, 2017
	SR	SR
Rental of bull board sites	**380,120,578**	376,199,726
Cost of raw materials and others	**34,506,318**	24,056,521
Depreciation (note 5)	**22,420,324**	24,073,688
Salaries, wages and other benefits	**11,976,208**	11,681,497
	449,023,428	436,011,432

19- Selling and marketing expenses

	December 31, 2018	December 31, 2017
	SR	SR
Sales and distribution commission	**10,071,747**	8,259,139
Salaries, wages and other benefits	**7,767,485**	9,820,261
Different expenses	**1,794,690**	3,853,513
Others	**735,472**	383,253
	20,369,394	22,316,166

20- General and administrative expenses

	December 31, 2018	December 31, 2017
	SR	SR
Salaries, wages and other benefits	**15,474,587**	13,511,045
Rents	**1,677,861**	1,888,610
Donations	**1,169,832**	1,943,152
Depreciation (note 5)	**806,767**	857,802
Insurance of assets	**557,122**	552,330
Professional fees	**435,000**	503,723
Repair and maintenance	**213,108**	410,787
electricity and water	**68,479**	551,965
Doubtful debts (note 8)	**-**	1,000,000
Others	**2,461,602**	2,043,346
	22,864,358	23,262,760

21- Financing expenses

	December 31, 2018	December 31, 2017
	SR	SR
Financing expenses arising from short term loans	**4,291,087**	3,541,323
Financing expenses arising from the calculation of employee benefit obligations	**358,078**	275,390
	4,649,165	3,816,713

22- Other income, net

	December 31, 2018	December 31, 2017
	SR	SR
(Loss) gain on sale of property and equipment (note 5)	**(624,846)**	127,176
Other income	**1,224,479**	1,904,030
	599,633	2,031,206

23- Earnings per share:

Earnings per share from profit from continuing main operations and profit for the year ended 31 December 2018 and 2017 were calculated by dividing the profit from continuing main operations and profit for the year by the weighted average number of shares outstanding at the end of the year. The number of outstanding shares as at 31 December 2018: 25 million shares and 2017: 55 million shares. The weighted average number of shares at 31 December 2018 was 52.86 million shares.

24- Dividends:

The Board of Directors recommended a dividend by amount of SAR 40,609,710 for the year ended 31 December 2018, (2017: SAR 154,000,000), Dividends are subject to the approval of the General Assembly of Shareholders.

25- Transfer and sale of assets and liabilities:

At its meeting held on 6 Jumada II 1437 (corresponding to15 March 2016), the General Assembly approved the recommendation of the Board of Directors to separate the industrial sector from the service and advertising sector and to sell the assets of the Branch of the Arab Company for the manufacture of paintings for SR 59,016,506 to the National Paints Company, as a result capital gains SR 1.9 million recognized, The assets of the branch sold at that date are as follows:

Items	Value
	SR
Property and equipment	**52,939,394**
Inventory	**4,177,112**
Net book value of the assets sold	**57,116,506**
Selling price of the assets to a related party	**59,016,506**
Capital gains	**1,900,000**

25- Transfer and sale of assets and liabilities: (Continued)

Pursuant to the Board of Directors' decision, the following assets and liabilities have been transferred to National Industries Company:

Items	Value
	SR
Trade receivables	**8,911,399**
Petty cash	**217,871**
Prepaid expenses and other debit balances	**4,114,281**
Inventory	**6,128,132**
Defined benefit obligation	**(757,819)**
Accrued commissions	**(101,316)**
	18,512,548

26- Commitments from operating leases

The minimum lease obligations under operating leases are as follows:

	December 31, 2018	December 31, 2017
	SR	SR
less than one year	**417,502,043**	267,443,866
More than one year and less than five years	**577,030,752**	794,127,526
	994,532,795	1,061,571,392

27- Commitments and contingent liabilities

As of December 31, the Company has the following contingent liabilities and commitments:

	December 31, 2018	December 31, 2017
	SR	SR
Letters of Guarantee	**125,161,674**	59,152,123
Letters of credit	**8,380,617**	21,896,610

Letters of guarantee and letter of credit are secured against cash margin deposits with banks as at 31 December 2018 amounting to SR 2,298,953, (2017: 1,432,164) (Note 10).

28- Financial instruments:

Financial instruments included in the statement of financial position include mainly cash, bank balances, trade and other debit balances, payables, certain outstanding liabilities, other credit balances and short-term bank loans.

28- Financial instruments (Continued):

Fair value

Fair value is the amount at which an asset is exchanged, or a liability settled between knowledgeable and willing parties on fair terms. As the financial instruments of the Company are recognized in accordance with the historical cost convention, there are differences between carrying amounts and fair value estimates, Management believes that the fair values of the Company's assets and liabilities are not materially different from their carrying values.

Risk management of financial instruments

The Company's activities expose it to credit risk, liquidity risk and market price risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on contract assets, trade receivables and bank balances as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
	SR	SR	SR
	Saudi Riyal	Saudi Riyal	Saudi Riyal
Trade receivables, net	**288,087,138**	264,613,316	295,620,739
Required by related parties	**23,445,366**	189,010,655	74,194,076
Prepaid expenses and other receivables	**299,718,718**	406,854,614	406,321,466
	611,251,222	860,478,585	776,136,281

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

The Company manages credit risk in respect of commercial contracts and debtors by monitoring them in accordance with specific policies and procedures. The Company seeks to reduce credit risk with respect to customers by setting credit limits for each customer and monitoring receivables that are not continuously collected.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in collecting funds to meet the obligations in respect of financial instruments, Liquidity risk may result from the inability to sell a financial asset quickly at approximately its fair value. The contractual benefits at the end of the reporting period for financial liabilities are as follows:

	December 31, 2018			December 31, 2017		
	SR					
	Book value	Less than one year	More than a year	Book value	Less than one year	More than a year
Financial obligations						
Short-term loans	**139,384,788**	**139,384,788**	-	124,950,000	124,950,000	-
Suppliers	**2,027,070**	**2,027,070**	-	1,252,003	1,252,003	-

28- Financial instruments (Continued):

Liquidity risk (Continued)

	December 31, 2018			December 31, 2017		
	SR					
	Book value	Less than one year	More than a year	Book value	Less than one year	More than a year
Due to related parties	**1,000,000**	**1,000,000**	**-**	-	-	-
Accrued expenses and other credit balances	**145,445,657**	**145,445,657**	**-**	215,951,258	215,951,258	-
Zakat provision	**9,164,306**	**9,164,306**	**-**	17,697,897	17,697,897	-
	297,021,821	**297,021,821**	**-**	359,851,158	359,851,158	-

Liquidity risk is managed by monitoring on a regular basis and ensuring that adequate funds, banking facilities and other credit facilities are available to meet future liabilities of the Company.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates, which affect the Company's income or the value of financial assets. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while improving returns.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities in a currency differ from the presentation currency of the company, The Company's exposure to foreign exchange risk is primarily limited to transactions in US dollars and management believes that its exposure to currency risks linked to the US dollar is limited, Exchange rate fluctuation is constantly monitored against other currencies.

Interest rate risk

Interest rate risk is the exposure associated with the impact of fluctuations in interest rates on the Company's financial position and cash flows. Management monitors changes in interest rates and uses interest rate swaps to manage interest rate risk that exceeds certain limits.

29- Date of Authorization:

The financial statements were authorized for issue by the Board of Directors on 24 Rajab 1440H corresponding to 31 March 2019.

30- Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation for the current year (note 4).

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

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BAKER TILLY MKM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P.O.Box 300467 , Riyadh 11372
Kingdom of Saudi Arabia
T: +966 11 835 1600
F: +966 11 835 1601

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Arabian Contracting Services Company ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, 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 a summary of significant accounting policies.

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, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (''IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 professional code of conduct and ethics 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 ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's by laws 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, The 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders

ARABIAN CONTRACTING SERVICES COMPANY

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, 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 internal control.
- 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 our 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.

BAKER TILLY MKM & CO.
Certified Public Accountants

Ayad Obeyan Alseraihi
License No. 405

Riyadh on Rajab 28, 1441 H
Corresponding to March 23, 2020 G

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BAKER TILLY
M K M & CO.

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(SAUDI RIYALS)

	Notes	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	5	**124,471,071**	105,726,820
Right of use	6	**775,073,996**	-
TOTAL NON-CURRENT ASSETS		**899,545,067**	105,726,820
CURRENT ASSETS			
Inventory, net	7	**12,989,851**	12,981,598
Trade receivables, net	8	**357,896,366**	288,087,138
Due from related parties	9	**24,028,243**	23,445,366
Prepayments and other debit balances	10	**58,514,273**	299,718,718
Cash and cash equivalents	11	**36,088,563**	18,522,971
TOTAL CURRENT ASSETS		**489,517,296**	642,755,791
TOTAL ASSETS		**1,389,062,363**	748,482,611
LIABILITIES AND SHAREHOLDERS EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	1	**500,000,000**	250,000,000
Statutory reserve	12	**22,466,028**	75,000,000
Retained earnings		**1,814,929**	114,321,482
TOTAL SHAREHOLDERS' EQUITY		**524,280,957**	439,321,482
NON-CURRENT LIABILITIES			
Employees defined benefits obligation	13	**13,412,491**	12,139,308
Lease liabilities	6	**316,233,460**	-
TOTAL NON-CURRENT LIABILITIES		**329,645,951**	12,139,308
CURRENT LIABILITIES			
Lease liabilities - current portion	6	**176,965,264**	-
Short-term loans	14	**239,467,433**	139,384,788
Due to Related Parties	9	**-**	1,000,000
Suppliers	15	**2,666,785**	2,027,070
Accrued expenses and other credit balances	16	**107,261,677**	145,445,657
Zakat Provision	17	**8,774,296**	9,164,306
TOTAL CURRENT LIABILITIES		**535,135,455**	297,021,821
TOTAL LIABILITIES		**864,781,406**	309,161,129
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**1,389,062,363**	748,482,611

The accompanying notes from (1) to (30) form an integral part of these consolidated financial statement

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

(SAUDI RIYALS)

	Notes	2019	2018
Revenue	18	**787,498,473**	639,157,093
Cost of Revenue	19	**(451,074,504)**	(449,023,428)
Gross profit		**336,423,969**	190,133,665
Selling and marketing expenses	20	**(42,422,004)**	(20,369,394)
General and administrative expenses	21	**(29,550,105)**	(22,864,358)
Profit from continuing main operations		**264,451,860**	146,899,913
Finance expenses	22	**(31,573,121)**	(4,649,165)
Other income, net	23	**1,213,152**	599,633
Net profit before zakat		**234,091,891**	142,850,381
Zakat	17	**(8,746,156)**	(9,164,306)
Net Profit		**225,345,735**	133,686,075
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of employees defined benefits obligation	13	**(685,459)**	(686,564)
Other comprehensive loss		**(685,459)**	(686,564)
TOTAL COMPREHENSIVE INCOME		**224,660,276**	132,999,511

The accompanying notes from (1) to (30) form an integral part of these consolidated financial statements

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOILDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(SAUDI RIYALS)

	Notes	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance as at January 1,2018		550,000,000	65,949,128	30,982,553	646,931,681
Share capital reduction		(300,000,000)	-	-	(300,000,000)
Net profit		-	-	133,686,075	133,686,075
Other comprehensive loss		-	-	(686,564)	(686,564)
Transfer to statutory reserve	12	-	9,050,872	(9,050,872)	-
Interim dividends	24	-	-	(40,609,710)	(40,609,710)
Balance as at December 31, 2018		250,000,000	75,000,000	114,321,482	439,321,482
Share capital increase	**1**	**250,000,000**	**(75,000,000)**	**(175,000,000)**	**-**
Net profit		**-**	**-**	**225,345,735**	**225,345,735**
Other comprehensive loss		**-**	**-**	**(685,459)**	**(685,459)**
Transfer to statutory reserve	**12**	**-**	**22,466,028**	**(22,466,028)**	**-**
Interim dividends	**24**	**-**	**-**	**(139,700,801)**	**(139,700,801)**
Balance as at December 31, 2019		**500,000,000**	**22,466,028**	**1,814,929**	**524,280,957**

The accompanying notes from (1) to (30) form an integral part of these consolidated financial statements

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMNT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2019

(SAUDI RIYALS)

	2019	2018
Cash flow from operating activities		
Net profit before Zakat	**234,091,891**	142,850,381
Adjustment:		
Depreciation	**24,365,205**	23,227,091
Impairment of inventory	**553,973**	-
Impairment of trade receivables	**3,483,264**	-
Amortization of Right of use	**374,414,718**	-
Loss from disposal of property, plant and equipment	**752,731**	624,846
Employees defined benefits obligation	**1,301,983**	1,735,215
Finance expenses	**31,573,121**	4,649,165
Changes in operating assets and liability:		
Trade receivables	**(73,292,492)**	(23,473,822)
Inventories	**(562,226)**	(321,673)
Due from / to related parties	**(1,582,877)**	183,641,940
Prepayments and other debit balances	**(14,250,747)**	107,135,896
Suppliers	**639,715**	775,067
Accrued expenses and other credit balances	**)44,931,784)**	(70,505,601)
Cash flows from operating activities	**536,556,475**	370,338,505
Employee defined benefits obligation Paid	**(714,259)**	(625,316)
Zakat Paid	**(9,136,166)**	(17,697,897)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**526,706,050**	352,015,292
CASH FLOW FROM INVESTING ACTIVITIES		
Property and equipment additions	**(44,531,494)**	(50,405,725)
Proceeds from disposal of property and equipment	**669,307**	3,015,018
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(43,862,187)**	(47,390,707)
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term bank loans	**100,082,645**	14,434,788
Lease liabilities	**(394,086,994)**	-
Finance expenses	**(31,573,121)**	(4,649,165)
Reduction in share capital	**-**	(300,000,000)
Dividends paid	**(139,700,801)**	(40,609,710)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(465,278,271)**	(330,824,087)
Net change in cash and cash equivalents	**17,565,592**	(26,199,502)
Cash and cash equivalents as at 1 January	**18,522,971**	44,722,473
CASH AND CASH EQIVALENTS AS AT DECEMBER 31	**36,088,563**	18,522,971
SIGNIFICANT NON - CASH TRANSACTION		
Increase in share capital by Retained Earnings & Statutory Reserve	**250,000,000**	-
Right of use/ lease liability	**1,149,488,714**	-
Lease liability	**6,747,805**	-
Closing Prepayment expenses at the initial date of adapted IFRS 16	**255,455,192**	-
Transfer of assets and liabilities to related party	**-**	(17,076,651)

The accompanying notes from (1) to (30) form an integral part of these consolidated financial statements

1- ORGANIZATION AND ACTIVITY

Arabian Contracting Services Company (the "Company") is a Saudi Closed Joint Stock registered in Riyadh, Kingdom of Saudi Arabia on 18 Jumada Alula 1403H (corresponding to 2 March 1983) under Commercial Registration No. 1010048419.

The head office of the company located in Olaya Tower, Riyadh city, social insurance tower Building (B) Floor 33.

The main activities of the company and its branches are in the execution of contracting, construction works, purchase of land for the construction of buildings for the company, establishment and equipping exhibitions, road works, maintenance, mechanical works, building works and maintenance, import, export and wholesale and retail trade in advertising billboards, printing materials, supplies and equipment of all kinds.

On 30/02/1440 AH corresponding to 8/11/2018, the board of directors of the Arabian Contracting Services decided to reduce the capital by 300 million Saudi riyals until it becomes 250 million Saudi Riyals, and that proposal was approved by the extraordinary general assembly on 27/03/1440 AH corresponding to 5/12/2018.

On 13/03/1441 AH corresponding to 10/11/2019, the board of directors of the Arabian Contracting Services decided to increase the capital by 250 million Saudi riyals to become 500 million Saudi riyals, by transferring 75 million Saudi riyals from the statutory reserve and transferring 175 million riyals Saudi from the retained earnings to the capital, and that proposal was approved by the extraordinary general assembly on 1/4/1441 AH corresponding to 28/11/2019, and the commercial registry and articles of association were amended on 25/12/2019.

On 11/4/1441 H corresponding to 8/12/2019, the board of directors of the Arabian Contracting Services approved the assignment by the partners of their shares in the company at their book value, in favor of engineer Holding Group Company owned by the same shareholders.

The company's capital amounting to Saudi Riyal 500 million is divided into 50 million shares, the value of each share is 10 Saudi Riyals. The shareholders and the percentage of their share as of December 31, 2019 are as follows:

Name	Percentage	(Saudi Riyal)	
		Number of Shares	Total
Abdulllah bin Abdul Rahman Al khereiji	30%	15,000,000	150,000,000
Engineer Holding Group Company	70%	35,000,000	350,000,000
Total	**100%**	**50,000,000**	**500,000,000**

The accompanying consolidated financial statements include the activities of the Company and its branches listed below, which operate under the following sub-trade registers:

Branch	Commercial Registration No	Commercial Registration Source	Date of Registration
Raweyah printing press factory	1010057812	Riyadh	14/05/1405
Branch of Arabian Contracting service company	1010062303	Riyadh	02/07/1406
Arab Eyn Company for Advertising	1010500526	Riyadh	18/04/1440
Arabian Contracting service company	4030058296	Jeddah	12/01/1408
Arab Painting Manufacturing Factory	4030275525	Jeddah	30/01/1435

2- SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTIONS:

The preparation of the company's consolidated financial statements in accordance with the International Financial Reporting Standards requires management to make estimates and assumptions that may affect the values in the consolidated financial statements, as these values may differ from the previous estimates. It also requires management to exercise its judgmental during the process of implementing the company's accounting policies. Below the Company's opinions estimate and assumptions, which relate to future causes.

Opinions

Through the process of implementing the company's accounting policies, the management expresses the following opinions that might have a material impact on the amounts included in the company's consolidated financial statements.

Estimates and assumptions

The main assumptions that relate to future causes and other major sources of unconfirmed estimates of the history of the consolidated financial position and which have significant risks of adjustments to the carrying amount of the assets and liabilities during the subsequent financial period are as follows:

Impairment of receivable balance

The process for determining an impairment of trade receivables requires estimates. impairment of trade receivables is recognized when there is objective evidence that the company will be unable to collect its debt. Bad debts are written off when identified.

The criteria for determining the amount of the decrease or amount to be written off include aging analyzes, technical assessments and subsequent events. provision and impairment of receivables are subject to management approval.

The impairment of receivable is charged to the statement of comprehensive income and disclosed under general and administrative expenses. Trade receivables when they are uncollectible are eliminated from the provision for impairment in the statement of comprehensive income. When subsequent events cause the decrease in the impairment of trade receivables, the impairment of trade receivables is reversed through the statement of comprehensive income.

Useful lives of property, plant and equipment

The company determines the estimated useful lives of property, plant and equipment for the purpose of calculating the depreciation. This estimate is determined after considering the expected use of the asset or physical wear and tear agents. The management reviews the residual value and the useful lives annually, and the future depreciation expense is adjusted when the management considers that the useful lives differ from the previous estimates.

2- SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTIONS (Continued):

Impairment of property and equipment

The company's management assesses the impairment of property and equipment in the event of events or changes in circumstances indicating that the carrying amount may not be recoverable. Factors that are considered significant and which lead to revaluation of impairment, among others, include the following:

- Significant changes in technology and the regulatory environment.
- Evidence from internal reports indicates that the economic performance of an asset is expected to be, or will be, bad.

Provisions

Provisions are recognized when the company has it Current or deductive legal obligation based on an event in the past there are likely to be claims to settle that obligation in the future which will result in outflows of resources and the amount of the obligation can be estimated reliably. Provisions are discounted using the current pre-tax discount rate that reflects the time value of money, as appropriate, the risks specific to the liability, when the effect of the time value of money is significant. An increase in the provision due to the passage of time when the discount is used is recognized as part of the financing costs in the statement of comprehensive income.

Uncertain Zakat positions

The current Zakat payable of the company relates to the management's assessment of the amount of Zakat due. The final result may differ when issuing the final assessment by the General Authority of Zakat and Income in future periods. Note 17.

Right of use

The company's management has chosen the discount rate based on the average discount rates with which it obtained loans during the year and according to its estimates, and at the end of each financial period the company studies whether there is a decrease in the value of the right to use or not, and in the event that there are events or changes in circumstances that indicate that, the book value may not be recoverable. It includes factors which are considered significant which trigger an impairment review.

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards "IFRS" endorsed in the Kingdom of Saudi Arabia and other standards issued and pronouncements by the Saudi Organization for Certified Public Accountants "SOCPA".

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for employee-defined benefits that are measured at the present value of future liabilities using the expected credit method. In addition, these consolidated financial statements are prepared using the accounting accrual basis and going concern basis.

Display currency and activity

The consolidated financial statements are presented in Saudi riyals, as the functional currency used in preparing the financial reports. All amounts are shown to the nearest Saudi Riyal unless otherwise indicated.

Consolidation principles

The following steps used when preparing the consolidated financial statements:

- The book value of the parent company's investment in each subsidiary is excluded, with the parent's share of the equity in each subsidiary.
- Non-controlling interests in the comprehensive income of the consolidated subsidiaries are determined during the period for which the consolidated financial statements are prepared.
- Non-controlling interests are determined in the net assets of the consolidated subsidiaries and are presented in the consolidated financial statements independently of the shareholders 'equity of the parent company. Non-controlling interests in the net assets consist of:
    1) The amount of non-controlling interest in the original date of consolidation.
    2) Share of non-controlling interests in the change in ownership rights from the date of consolidation.
- The transactions, revenues and expenses exchanged between the Group's companies are completely excluded.

The financial statements of the parent company as well as the financial statements of the subsidiary companies used in preparing the consolidated financial statements are prepared on the same date.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in the same circumstances.

Non-controlling interests are presented in the consolidated statement of financial position within equity, in a separate item from the equity of the parent company's shareholders, and the share of non-controlling interests in the profit or loss of the group is presented separately.

The consolidated financial statements include the accounts of the company and its subsidiary company ("the group") in which it owns more than 50% of the property rights or has control over those subsidiaries for the purposes of preparing these consolidated financial statements. Between the company and these subsidiaries.

Consolidated subsidiary

The consolidated financial statements of the group as of December 31, 2019 include Out of Home Company - a limited liability company in the United Arab Emirates which is a subsidiary company 100% owned by the company with a capital of AED 100,000 - a company in the free zone.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Company presents assets and liabilities in the statement of consolidated financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- The asset is expected to be realized within 12 months after the consolidated statement of financial position date, or
- Being in cash or cash equivalent unless it is prohibited to exchange the asset or use it to settle a liability within at least 12 months from the date of the consolidated financial position.

All other assets are classified as non-current.

A liability is current when it is

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- The liability is expected to be settled within 12 months after the consolidated statement of financial position date
- The absence of an unconditional right to defer the settlement of the obligation for at least 12 months after the date of the consolidated financial position.

The Company classifies all other liabilities as non-current.

Property and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Repair and maintenance costs are recognized in profit or loss as incurred. As for the improvement expenses, they are considered capital expenditures. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

The estimated life of these assets are as follows:

	Years
Buildings	20
Billboards (Fixed and Motion)	7
Vehicles	4
Furniture & fixtures	10
Equipment	10

Inventory

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

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounts receivable

Account's 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 in value. Amortized cost is calculated by taking into account 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 statement of comprehensive income. The losses arising from impairment are included in the statement of comprehensive income.

Transactions with related parties

Related parties represent all affiliated, associates, major shareholders, directors and senior management of the Company and include those companies controlled, jointly controlled or influenced by those related parties.

Impairment of assets

The company performs a periodic review of the book value of tangible and intangible assets to ensure that there is any evidence of any loss resulting from an impairment in its value. In the event of such evidence, the recoverable amount of that asset is estimated in order to determine the extent of this loss. In cases where it is not possible to estimate the recoverable amount of that asset, the company estimates the recoverable amount of the cash-generating unit to which that asset belongs.

In cases where the recoverable amount of the asset or cash-generating unit is estimated to be less than its book value, then the book value of that cash-generating asset or unit is reduced to the recoverable amount, and losses of impairment in the value of the asset are recognized immediately in the statement of comprehensive income.

If the impairment loss constraint is subsequently reversed, then the book value of the cash generating unit or unit is increased to the adjusted recoverable amount, and the increased book value does not exceed the book value that was to be determined if it had not been proven Loss of impairment in the value of that cash generating asset or unit in prior years. A reversal of an impairment loss is recognized as revenue in the statement of comprehensive income.

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 significant changes in value.

For the statement cash flows, cash and cash equivalents consist of cash and cash equivalents they are considered an integral part of the Company's cash management.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Employees defined benefits obligation

The end-of-service compensation shall be redeemed in the attached consolidated financial statements in accordance with the requirements of the Saudi labor system, based on the period the employee spent in the service of the company.

The employee benefit cost is determined by defined benefit programs separately for each program using the planned credit unit 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Loans

This is the category most relevant to the Company. After initial recognition, loans bearing commission are measured at amortized cost using the effective interest rate method. Gains or losses are recognized in the consolidated statement of comprehensive income when the obligations are paid, and also through the amortization of the effective commission rate.

Payables and accrued expenses

The amount of the liability to be paid for goods and services received, whether invoiced to the Company or not, is recognized.

Value added tax

Income, expenses and assets are recognized net of sales taxes and value added except for the following:

- If VAT is levied on the acquisition of assets or services that are not recovered from the tax authority, in which case the value added tax is recognized as part of the cost of purchasing the assets or part of the expense item as the case may be.
- Accounts receivable and payables including VAT amount are shown.

The net VAT that can be recovered from - or paid to - the tax authority is recorded in Accounts Receivable and Accounts payable in the consolidated statement of financial position.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Zakat

The Company is subject to the regulations of the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is provided on accruals basis. The Zakat charge is computed based on the zakat base or adjusted net income, whichever is higher. Any differences between the provision and the final assessment are recorded when the final assessment is approved, at which time the provision is cleared.

Revenue recognition

The company recognizes revenue in accordance with contracts and according to the principle of accrual when providing service to clients. Other revenue is recognized when earned.

Revenue from contracts with customers is recognized when control over the services provided to the customer is transferred according to the value that reflects the compensation that the company expects to be entitled to in exchange for this transfer.

The company 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 commitment 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 company expects to receive in exchange for transferring the agreed goods or services to the customer, except for the sums collected on behalf of third parties.

Step 4: Assigning the transaction price to the performance obligations in the contract: For a contract that contains more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that specifies the amount of consideration to which the company will be paid. You expect to be entitled to payment for each performance obligation.

Step 5: Proof of revenue when the company fulfills the performance obligation.

Discount attribute to customers

The Company provides a discount for some customers when the value of contracts executed during the period exceeds a certain amount in the contract. Discounts are charged against amounts owed by the customer. The Company applies the requirements for the recognition of variable compensation estimates and book the obligation based on future expectation.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cost of obtaining the contract

The company pays the costs of tenders and technical studies undertaken by third parties in order to obtain the contracts. These costs are capitalized and amortized on a straight-line basis over the contract period, and after the company applies IFRS (16) lease contracts, the value of the depreciation and financing benefits arising from the initial application of the standard is the cost of obtaining the contract.

Contracts expected to be in loss

If the company has a contract that is expected to be in loss, the current obligation is recognized under the contract and measured as a provision. However, before proving a separate provision for a contract that is expected to be in loss, the Company recognizes any impairment losses that occurred in the assets designated for that contract.

Expenses

Selling and distribution expenses consist primarily of the costs incurred to market the Company's activities. Other expenses are classified as general and administrative expenses.

Rentals

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.

The company as a lessee

At the inception of the lease, the finance lease is capitalized on the basis of which substantially all the risks and rewards associated with the acquisition of the leased item are transferred to the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are distributed using the interest rate prevailing between the financial expense and the decrease in the lease obligation to achieve a constant rate of interest on the outstanding balance of the liability. Financial expenses are recognized in comprehensive income.

Leasehold assets are depreciated over the useful life of the asset, but where there is no reasonable assurance that the company will acquire ownership at the end of the lease period, the asset is depreciated over the estimated useful life of the asset or lease period, whichever is shorter.

Operating lease is a lease other than a finance lease. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Foreign currencies

Transactions in foreign currency are initially recorded at the functional currency rate at the date on which the transaction is eligible for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rate prevailing at the date of preparation of the consolidated financial statements. All differences arising from adjustments or transactions on monetary items are recognized in the statement of comprehensive income.

Non-monetary items for which the historical cost has been measured in a foreign currency are translated primarily at the rate of the currency prevailing at the date of the transactions. Non-monetary items in foreign currencies for which the fair value is measured in a foreign currency are translated at the exchange rate prevailing at the date when the fair value was determined. Gains or losses arising from translation of non-monetary items that are measured at fair value are treated in accordance with the recognition of the gains and losses resulting from the change in the fair value of that item. That is, translation differences for items whose fair value gains and losses are recognized in the statement of other comprehensive income are recognized in other comprehensive income, and items for which fair value gains and losses are recognized in profit and loss are recognized in the comprehensive income.

4- IFRS 16 - LEASE CONTRACTS INITIAL APPLICATION:

IFRS 16 issued in January 2016 replaces IAS 17 Lease Contracts and Interpretation No. 4 issued by the IFRIC Interpretation Committee to determine whether the arrangement contains a lease agreement, and Interpretation No. 15 issued by Standing Interpretations Committee Operating leases - incentives, and Interpretation No. 27 issued by the Standing Interpretations Committee assess the substance of transactions that include the legal form of the lease.

IFRS 16 sets out principles for proving, measuring, displaying and disclosing lease contracts, and requires tenants to account for all lease contracts as items included in the consolidated financial position list and analogous to accounting for finance lease contracts under International Accounting Standard No. 17. The standard includes two exemptions to prove the lease - lease contracts for "low value" assets (for example, personal computers) and short-term lease contracts (i.e. lease contracts for 12 months or less). On the date of commencement of the lease, the tenant will demonstrate an obligation to make lease payments (i.e. the lease obligation), and demonstrate an asset that represents the right to use the assets in question during the lease period (i.e. the right to use the asset). Tenants are required to demonstrate a separate commission expense on rental obligation and depreciation expense on the right of use asset.

It also requires tenants to re-measure the lease obligation when certain events occur (for example, a change in the lease term, or a change in future lease payments resulting from a change in an indicator or rate used to determine those payments). The tenant will generally demonstrate the amount of the re-measurement of the lease obligation as an amendment to the right of use asset.

The lessor`s method is held accountable according to IFRS 16 does not change much from the current method is accounted for under IFRS 17. Lessors will continue to classify all lease contracts using the same classification principle as in International Accounting Standard (17) and will distinguish between two types of lease contracts: operating lease contracts and finance lease contracts.

IFRS 16 also requires tenants and lessors to make more comprehensive disclosures than IAS 17.

5- PROPERTY AND EQUIPMENT, NET:

	Buildings	Billboards fixed and motion	Motor vehicles	Office equipment and furniture	Equipment	Project under construction	Total
	SR	SR	SR	SR	SR	SR	SR
Cost							
January 1, 2018	16,168,556	156,701,498	8,997,279	4,263,671	39,289,493	14,447,659	239,868,156
Additions	-	2,457,069	169,900	99,224	543,854	47,135,678	50,405,725
Transfers	-	25,154,846	-	-	-	(25,154,846)	-
Disposals	-	(22,119,319)	(609,495)	(221,525)	(3,013,615)	(243,960)	(26,207,914)
Transferred to a related party	-	-	-	-	-	(17,076,651)	(17,076,651)
December 31, 2018	16,168,556	162,194,094	8,557,684	4,141,370	36,819,732	19,107,880	246,989,316
Additions	**-**	**22,238,976**	**1,385,210**	**256,882**	**6,427,600**	**14,222,826**	**44,531,494**
Transfers	**716,456**	**11,962,537**	**-**	**-**	**-**	**(12,678,993)**	**-**
Disposals	**-**	**(33,955,767)**	**(331,290)**	**(352,321)**	**(3,723,587)**	**-**	**(38,362,965)**
December 31, 2019	**16,885,012**	**162,439,840**	**9,611,604**	**4,045,931**	**39,523,745**	**20,651,713**	**253,157,845**
Accumulated depreciation							
January 1, 2018	7,539,481	99,178,667	6,808,867	1,860,513	25,215,927	-	140,603,455
Charge for the year	619,545	17,941,572	1,177,947	590,227	2,897,800	-	23,227,091
Disposals	-	(19,085,294)	(609,494)	(207,864)	(2,665,398)	-	(22,568,050)
December 31, 2018	8,159,026	98,034,945	7,377,320	2,242,876	25,448,329	-	141,262,496
Charge for the year	**620,129**	**19,471,725**	**947,035**	**565,302**	**2,761,014**	**-**	**24,365,205**
Disposals	**-**	**(32,564,428)**	**(312,062)**	**(340,850)**	**(3,723,587)**	**-**	**(36,940,927)**
December 31, 2019	**8,779,155**	**84,942,242**	**8,012,293**	**2,467,328**	**24,485,756**	**-**	**128,686,774**
Net Book Value							
December 31, 2019	**8,105,857**	**77,497,598**	**1,599,311**	**1,578,603**	**15,037,989**	**20,651,713**	**124,471,071**
December 31, 2018	8,009,530	64,159,149	1,180,364	1,898,494	11,371,403	19,107,880	105,726,820

* Projects under construction are road billboards that are being manufactured and the expected additional value until completion as of December 31, 2019: 3,903,864 Saudi riyals (2018: 1,802,990 Saudi riyals) (note 25).

5- PROPERTY AND EQUIPMENT, NET (Continued):

Fully depreciated assets costs still in use and stated as follows:

	(Saudi Riyal)	
	2019	**2018**
Equipment	**13,902,539**	10,623,330
Billboards fixed and motion	**10,734,096**	33,522,573
Motor vehicles	**5,806,025**	4,509,814
Buildings	**3,777,716**	3,777,716
Office equipment and furniture	**231,491**	133,835
	34,451,867	52,567,268

Distribution of depreciation on expenses:

	(Saudi Riyal)	
	2019	**2018**
Cost of revenue (Note 19)	**23,603,135**	22,420,324
General and administrative expenses (Note 21)	**762,070**	806,767
	24,365,205	23,227,091

Losses arising from disposal of fixed assets:

	(Saudi Riyal)	
	2019	**2018**
Cost of disposed assets	**38,362,965**	26,207,914
Accumelated depreciation	**(36,940,927)**	(22,568,050)
Net book value	**1,422,038**	3,639,864
Proceeds from disposals	**669,307**	3,015,018
Loss from disposal (Note 23)	**(752,731)**	(624,846)

6- RIGHT OF USE:

During the implementing of IFRS (16), the company has applied a single recognition and measurement principle for all lease contracts if they are the lessee, without excluding the short-term lease contracts and lease contracts that contain a low-value asset. The company has recognized obligations to lease payments and rights of use assets that represent the right of use assets that the contracts contain. The company has applied IFRS (16) on the initial date of implementing, the rights of use assets have been measured at an amount equal to the lease obligations, and adjusted for the amounts of prepayments and lease payments due related to those lease contracts recognized in the consolidated statement of financial position as of the date of December 31, 2018 Consequently, the comparative figures for the previous are not modified, due to the modified retrospective effect allowed in accordance with the transitional provisions year defined in the standard.

6- RIGHT OF USE (Continued):

The effect of the change in accounting policy on the items in the consolidated statement of financial position at January 1, 2019:

- Recognition and disclose the rights of use assets and lease liabilities of SR 1,113,285,660 separately on initial implementation.
- Reclassification of SR 255,455,192 related to operating leases previously classified as advance payments to rights of use assets.
- The effect of change in accounting policies on the consolidated statement of comprehensive income for the year ended December 31, 2019:
  - Increase the amortization expense by SR 374,414,718 related to amortization of rights of use the recognized assets.
  - Increase in rental expenses amounting to SR 6,747,804 related to previous operating lease contracts as a result of contract settlement when converting to the international standard.
  - Increase in finance costs by SR 23,471,481 related to interest expense on recognized additional lease obligations.

	(Saudi Riyal)	
	2019	**2018**
Right of use		
Balance at the initial implimintation	**1,113,285,660**	-
Additions during the year	**36,203,054**	-
	1,149,488,714	-
Amortization	**(374,414,718)**	-
The balance at the end of the year	**775,073,996**	-
Lease liabilities		
Balance on initial implimintation	**1,113,285,660**	-
Additions during the year	**36,203,054**	-
	1,149,488,714	-
Deduct / added:		
Closure prepaid expenses on initial implimintation	**(255,455,192)**	-
Payments during the year	**(417,558,475)**	-
Finance expenses (Note 22)	**23,471,481**	-
Amortization of accrued and other expenses	**(6,747,804)**	-
The balance at the end of the year	**493,198,724**	-
Current portion	**176,965,264**	-
Non-current portion	**316,233,460**	-
	493,198,724	-

6- RIGHT OF USE (Continued):

Distribution of amortization over the expenses:

	(Saudi Riyal)	
	2019	2018
Cost of revenue (Note 19)	**371,971,542**	-
Selling and marketing expenses (Note 20)	**305,998**	-
General and administrative expenses (Note 21)	**2,137,178**	-
	374,414,718	-

7- INVENTORY, NET:

	(Saudi Riyal)	
	2019	2018
Paper and other materials	**13,454,376**	12,460,887
Spare parts	**1,096,535**	1,527,798
	14,550,911	13,988,685
Impairment of inventory	**(1,561,060)**	(1,007,087)
	12,989,851	12,981,598

The movement on the impairment of inventory during the year ended December 31 is as follows:

	(Saudi Riyal)	
	2019	2018
Balance as of January 1,	**1,007,087**	1,007,087
Impairment charged of the year	**553,973**	-
Balance as of December 31,	**1,561,060**	1,007,087

8- TRADE RECEIVABLES, NET:

	(Saudi Riyal)	
	2019	2018
Trade receivables	**359,486,780**	289,887,138
Impairment of trade receivables	**(5,283,264)**	(1,800,000)
	354,203,516	288,087,138
Notes receivable	**3,692,850**	-
	357,896,366	288,087,138

8- TRADE RECEIVABLES, NET (Continued):

The movement in the impairment of trade receivables during the year ended December 31:

	(Saudi Riyal)	
	2019	2018
Balance as at January 1,	**1,800,000**	1,800,000
Impairment charged of the year	**3,483,264**	-
Balance as of December 31,	**5,283,264**	1,800,000

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

Overdue balances without impairment						
	Less than 30 days SR	From 30 days to 90 days SR	From 90 days to 180 days SR	From 180 days to 365 days SR	More than 365 days SR	Total SR
2019	**188,585,808**	**81,474,614**	**34,436,469**	**29,093,130**	**20,613,495**	**354,203,516**
2018	61,668,340	88,323,886	65,560,850	70,612,615	1,921,447	288,087,138

The credit period granted to customers ranges from 30 to 90 days and no commissions are charged to these accounts, The Company records impairment of trade receivables with taking into consideration several factors including the age of the receivables and the consolidated financial position of the customers where available, Concentrations of credit risk are limited because the customer base is large and the customer is not linked, no clients account for more than 10% of the total balance of trade receivables.

9- BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

During the year, the Company has entered into transactions with the related parties described below. The terms of these transactions and expenses have been approved by the Company's management and are similar to normal course of business transaction of the company. The transactions registered below were carried out with the following entities:

Name of related parties	Nature of Relationship
Engineer Holding Company	Shareholder
Hose Of Skills For Contracting And Trading Company	Affiliate
Advanced Digital Systems Company	Affiliate
National Signage Industrial Company	Affiliate
Elegant Hotel Company	Affiliate
Al Mizah Company	Affiliate
Skill Of House For Maintenance And Operation Company	Affiliate
Multaka Al Zad Company For Tourim	Affiliate
Saudi Media Company	Affiliate

9- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued):

Company	Nature of transaction	(Saudi Riyal)	
		2019	**2018**
Elegant hotel company	Fund Transfers	**101,231,240**	183,000,000
Skill House for Contracting and Trading Company	Fund Transfers	**2,200,000**	15,812,201
National Signage Industrial Company	Fund Transfers	**4,240,000**	87,139,49
Skill House for Maintenance and Operation Company	Expenses	**2,710,000**	-
Skill House for Contracting and Trading Company	Expenses	**1,650,236**	2,000,000
Elegant hotel company	Expenses	**3,053,750**	3,959,653
National Signage Industrial Company	Salaries and other benefits	**1,051,633**	6,368,715
Al Miza Company	Sales and cash transfers	**45,565,491**	58,499,636
Advanced Digital Systems Company	Net transfer of assets and liabilities (Note 5)	-	17,076,560
Advanced Digital Systems Company	Expenses	**368,947**	-
Multaqa Al Zad Company for tourism	Fund Transfers	-	1,003,953
Engineer Holding Company	Fund Transfers	**200,000**	2,226,873
Engineer Holding Company	Sales and cash transfers	**1,111,012**	-
Saudi Media company	Fund Transfers	**3,283,793**	-
Saudi Media company	Sales and cash transfers	**12,298,714**	-
Skill of House for Contracting and Trading Company / Abdul Al Ellah Al Kherajy	Real Estate rent	**445,000**	-

The following is a list of compensation for key management employees incurred during the year ended December 31:

	(Saudi Riyal)	
	2019	**2018**
Short-term benefits	**18,817,660**	14,855,660
Employees defined benifits obligation	**4,639,537**	3,857,995
	23,457,197	18,713,655

Key management include members of the board of directors, chief executive officer, chief financial officer and executives as persons who have the authority and responsibility to plan, order and control the company’s activities.

9- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued):

The amounts due from related parties is as follows:

	(Saudi Riyal)	
	2019	2018
Engineer Holding Group Company	**18,736,610**	-
National Signage Industrial Company	**5,291,633**	6,368,715
Advanced Digital Systems Company	**-**	17,076,651
	24,028,243	23,445,366

The amounts due to related parties is as follows:

	(Saudi Riyal)	
	2019	2018
Elegant Hotel Company	**-**	1,000,000
	-	1,000,000

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

10- PREPAYMENTS AND OTHER DEBIT BALANCES:

	(Saudi Riyal)	
	2019	2018
Prepaid rent locations of billboards *	**44,472,195**	288,660,202
Prepaid expenses and other debit balances	**6,173,883**	3,399,366
Advances to suppliers and prepaid expenses	**3,442,020**	1,791,006
Cash margin of bank guarantees and letter of credits (Note 25)	**2,303,227**	2,298,953
Employee receivable	**2,122,948**	3,569,191
	58,514,273	299,718,718

* Include prepayments on lease contracts that have not started yet and the company committed for these contracts.

11- CASH AND CASH EQUIVALENTS:

	(Saudi Riyal)	
	2019	**2018**
Cash at banks	**35,559,992**	17,257,922
Cash on hand	**528,571**	1,265,049
	36,088,563	18,522,971

12- STATUTORY RESERVE

In accordance with the requirements of the Saudi Companies Regulations, the Company establishes a statutory reserve of 10% of net profit until this reserve reaches 30% of the capital, this reserve is not available for distribution as dividends. This legal reserve has been used in capital increase for the company as shown in note (1).

13- EMPLOYEE DEFINED BENEFITS OBLIGATION

	(Saudi Riyal)	
	2019	**2018**
Balance as at 1 January	**12,139,308**	10,342,845
Current services cost	**780,461**	1,377,137
Interest expense	**521,522**	358,078
Re-measurement charged into other comprehensive income	**685,459**	686,564
Paid	**(714,259)**	(625,316)
Balance as at December 31,	**13,412,491**	12,139,308

Key actuarial assumptions:

	(Saudi Riyal)	
	2019	**2018**
User discount rate	**3.88%**	4,31%
Salary increase rate	**3.01%**	5,5%
Employee turnover	**Average**	Average

The sensitivity analysis of the main actuarial assumptions is analyzed below:

	(Saudi Riyal)	
	2019	**2018**
Discount Rate 1% (+/-)		
Increase	**13,267,380**	11,263,985
Decrease	**13,557,602**	13,158,806
Expected salary increase ratio 1% (+/-)		
Increase	**2,563,364**	13,136,194
Decrease	**2,470,590**	11,265,461

14- SHORT-TERM LOANS

The Company have obtained bank facilities in the form of short-term loans and letters of guarantee from local commercial banks amounting to SR 250 million, the utilized portion of these loans amounted to SR 239,467,433 as at December 31, 2019 (2018: 139,384,788). 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 one of the shareholders of the company, and a promissory note of SR 250 million, payable upon request.

	(Saudi Riyal)	
	2019	**2018**
Al Bilad Bank	**100,885,788**	-
SABB	**93,720,145**	24,918,750
The Saudi Investment Bank	**44,861,500**	-
Alawal bank	**-**	20,000,000
Banque Saudi Fransi	**-**	89,466,038
ANB	**-**	5,000,000
	239,467,433	139,384,788

15- SUPPLIERS

	(Saudi Riyal)	
	2019	**2018**
Local suppliers	**1,142,478**	621,198
Foreign suppliers	**1,524,307**	1,405,872
	2,666,785	2,027,070

16- ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	(Saudi Riyal)	
	2019	**2018**
Discounts due to customers	**34,797,316**	26,056,013
Rents of secured contracts	**30,734,619**	106,030,349
Accrued commissions	**19,847,080**	6,106,426
Oter credit balances	**15,291,242**	1,758,320
Unearned revenue	**2,308,201**	2,334,279
Value added Tax (VAT)	**2,212,455**	2,737,569
Advances payments from customers	**1,938,517**	135,809
Other	**132,247**	286,892
	107,261,677	145,445,657

17- ZAKAT:

The main elements of Zakat are as follows:

	(Saudi Riyal)	
	2019	**2018**
Share capital	**500,000,000**	250,000,000
Net adjusted income	**235,188,426**	142,850,381
Property, equipment and projects under construction and other spare parts	**(123,695,099)**	(107,173,654)
Provisions, reserves and others	**14,260,276**	77,736,930

The movement for Zakat for the year ended December 31 is as follows:

	(Saudi Riyal)	
	2019	**2018**
Balance on 1 January	**9,164,306**	17,697,897
Charged for the year	**8,746,156**	9,164,306
Paid during the year	**(9,136,166)**	(17,697,897)
Balance at 31 December	**8,774,296**	9,164,306

The Company received final zakat assessment for the years up to 2016, the company submitted the returns for the years from 2017 and 2018, which still under review by GAZT.

18- Revenue:

	(Saudi Riyal)	
	2019	**2018**
Outdoor advertisements	**762,276,741**	620,405,841
Indoor advertisements	**10,132,939**	-
Printing	**15,088,793**	18,751,252
	787,498,473	639,157,093

Revenue by geographical area

	(Saudi Riyal)	
	2019	**2018**
Inside the Kingdom of Saudi Arabia	**783,553,096**	639,157,093
Outside the Kingdom of Saudi Arabia	**3,945,377**	-
	787,498,473	639,157,093

19- COST OF REVENUES

	(Saudi Riyal)	
	2019	2018
Amortization of right of use (Note 6)	**371,971,542**	-
Cost of raw materials and others	**28,319,451**	34,506,318
Depreciation (Note 5)	**23,603,135**	22,420,324
Salaries, wages and other benefits	**12,410,454**	11,976,208
Impairment of inventory	**553,973**	-
Rental of billboard sites	**-**	380,120,578
Other	**14,215,949**	-
	451,074,504	449,023,428

20- SELLING AND MARKETING EXPENSES:

	(Saudi Riyal)	
	2019	2018
Sales and distribution commission	**24,216,808**	10,071,747
Salaries, wages and other benefits	**9,869,990**	7,767,485
Amortization of right of use (Note 6)	**305,998**	-
Others	**8,029,208**	2,530,162
	42,422,004	20,369,394

21- GENERAL AND ADMINISTRATIVE EXPENSES

	(Saudi Riyal)	
	2019	2018
Salaries, wages and other benefits	**16,318,376**	16,296,840
Impairment of trade receivables (Note 8)	**3,483,264**	-
Amortization of right of use (Note 6)	**2,137,178**	-
Donations	**1,620,629**	1,169,832
Professional fees	**1,063,009**	435,000
Depreciation (note 5)	**762,070**	806,767
Insurance of assets	**619,667**	557,122
Repair and maintenance	**459,081**	186,753
Electricity and water	**150,145**	68,479
Rents	**-**	1,677,861
Others	**2,936,686**	1,665,704
	29,550,105	22,864,358

22- FINANCING EXPENSES:

	(Saudi Riyal)	
	2019	2018
Finance expenses resulting from lease liabilities (Note 6)	**23,471,481**	-
Financing expenses arising from short term loans	**7,580,118**	4,291,087
Financing expenses arising from the calculation of employee defined benefit obligations	**521,522**	358,078
	31,573,121	4,649,165

23- OTHER INCOME, NET:

	(Saudi Riyal)	
	2019	2018
Loss on sale of property and equipment (note 5)	**(752,731)**	(624,846)
Other income	**1,965,883**	1,224,479
	1,213,152	599,633

24- DIVIDENDS:

The Board of Directors recommended interim dividend during the year ended as at December 31,2019 amounted SR 139,700,801, (2018: SR 40,609,710 SR), Dividends are subject to the approval of the General Assembly of Shareholders.

25- COMMITMENTS AND CONTINGENT LIABILITIES:

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

	(Saudi Riyal)	
	2019	2018
Letters of Guarantee *	**137,261,949**	125,161,674
Letters of credit	**14,871,349**	8,380,617

* Letters of guarantee and letter of credit are secured against cash margin deposits with banks as at December 31, 2019 amounting to 2,303,227 SR, (2018: 2,298,953 SR - Note 10).

* The projects under construction are road billboards that are being manufactured and the expected value for completion as at December 31, 2019 is: 3,903,864 SR (2018: 1,802,990 SR). (Note 5).

26- FINANCIAL INSTRUMENTS:

Financial instruments included in the consolidated statement of financial position include mainly cash, bank balances, trade receivables and other debit balances, payables, certain outstanding liabilities, other credit balances and short-term bank loans.

FAIR VALUE

Fair value is the amount at which an asset is exchanged, or a liability settled between knowledgeable and willing parties on fair terms. As the financial instruments of the Company are recognized in accordance with the historical cost convention, there are differences between carrying amounts and fair value estimates, Management believes that the fair values of the Company's assets and liabilities are not materially different from their carrying values.

RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company's activities expose it to credit risk, liquidity risk and market price risk.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on contract assets, trade receivables and bank balances as follows:

	(Saudi Riyal)	
	2019	2018
Trade receivables, net	**357,896,366**	288,087,138
Due from related parties	**24,028,243**	23,445,366
Other debit balances	**4,426,175**	5,868,144
Cash and cash equivalent	**36,088,563**	18,522,971
	422,439,347	335,923,619

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

The Company manages credit risk in respect of contracts, trade receivables and cash and cash equivalents by monitoring them in accordance with specific policies and procedures. The Company seeks to reduce credit risk with respect to customers by setting credit limits for each customer and monitoring receivables that are not continuously collected.

26- FINANCIAL INSTRUMENTS (Continued):

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in collecting funds to meet the obligations in respect of financial instruments, Liquidity risk may result from the inability to sell a financial asset quickly at approximately its fair value. The contractual receivable at the end of the reporting period for financial liabilities are as follows:

	Book value	Less than one year	More than a year
As of December 31, 2019			
Financial obligations			
Lease obligations	**493,198,724**	**176,965,264**	**316,233,460**
Short-term loans	**239,467,433**	**239,467,433**	**-**
Suppliers	**2,666,785**	**2,666,785**	**-**
Other credit balances	**54,741,462**	**54,741,462**	**-**
Zakat provision	**8,774,296**	**8,774,296**	**-**
	798,848,700	**482,615,240**	**316,233,460**

	Book value	Less than one year	More than a year
As of December 31, 2018			
Financial obligations			
Short-term loans	139,384,788	139,384,788	-
Due to related parties	1,000,000	1,000,000	-
Suppliers	2,027,070	2,027,070	-
Other credit balances	33,173,073	33,173,073	-
Zakat provision	9,164,306	9,164,306	-
	184,749,237	184,749,237	-

Liquidity risk is managed by monitoring on a regular basis and ensuring that adequate funds, banking facilities and other credit facilities are available to meet future liabilities of the Company.

MARKET PRICE RISK

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates, which affect the Company's income or the value of financial assets. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while improving returns.

26- FINANCIAL INSTRUMENTS (Continued):

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities in a currency differ from the presentation currency of the company, The Company's exposure to foreign exchange risk is primarily limited to transactions in US dollars and management believes that its exposure to currency risks linked to the US dollar is limited, Exchange rate fluctuation is constantly monitored against other currencies.

INTEREST RATE RISK

Interest rate risk is the exposure associated with the impact of fluctuations in interest rates on the Company's financial position and cash flows. Management monitors changes in interest rates and uses interest rate swaps to manage interest rate risk that exceeds certain limits.

27- COMPARATIVE FIGURES

Comparative figures have been reclassified to be agreed with the current year presentation.

28- OPERATING SECTORS:

The sector is a separate and distinct part of the company that engages in business activities that result in revenue earning or incurring expenses. The operating sectors are disclosed on the basis of internal reports that are reviewed by the main operational decision maker and is the person responsible for allocating resources, assessing performance, and making strategic decisions about operational sectors. The operating sectors in which similar economic features and similar products, services and customer groups emerge are grouped and recorded where possible as reported sectors.

The company has one operating sector represented in the subsidiaries of advertising services in the Kingdom of Saudi Arabia and abroad.

29- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements were approved by the Board of Directors on Rajab 28, 1441 H, corresponding to March 23, 2020.

30- Subsequent events

Management`s opinion, there are no significant subsequent events from the date of the end of the year until the date of the approval of the consolidated financial statements that should have been clarified or amended by these financial statements except for the confirmation of the existence of the new Corona virus (COVID-19) in early 2020 and spread throughout the People's Republic of China and outside of it It caused strikes in business and economic activity. The company considers this proliferation as unmodified events in the consolidated statement of financial position, given that the situation is unstable and characterized by rapid development, we do not consider that in practice it is possible to make a quantitative estimate of the potential impact of this spread on the company. The effect of this spread (if any) will be included in the Company's estimate of impairment provisions for 2020.

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR›S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

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BAKER TILLY MKM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P.O.Box 300467 , Riyadh 11372
Kingdom of Saudi Arabia
T: +966 11 835 1600
F: +966 11 835 1601

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Arabian Contracting Services Company (the "Company"), and its subsidiary (together "The Group"), which comprises the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year than ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards(''IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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 ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom Of Saudi Arabia, and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants SOCPA, and Regulations for Companies and the Company's by lows, and 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, and 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 its operations or has no realistic alternative but to do so.

Those charged with governance " The Board of Directors" are responsible for overseeing the Group's financial reporting process.

Mixed professional partnership | Head Office – Riyadh | Kingdom of Saudi Arabia | License 323/11/479 | 9/9/1433H | CR 1010428101.
Email: saudi@bakertillyjfc.com | Website: www.bakertillymkm.com

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders
ARABIAN CONTRACTING SERVICES COMPANY

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 International Standards of Auditing "ISA" 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 the audit in accordance with the International Standards of Auditing "ISA" 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 misstatements within 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 internal control.
- Evaluate the appropriateness of the accounting policies used and reasonableness of the 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 our 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 consolidated 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.

BAKER TILLY MKM & CO.
Certified Public Accountants

Ayad Obeyan Alseraihi
License No. 405
Riyadh on February 28, 2021 G
Corresponding to Rajab 16, 1442 H

بيكر تيلي
م ك م وشركاه
محاسبون قانونيون
CPA
ترخيص ٣٢٣/١١/٤٧٩
License 323/11/479
BAKER TILLY
MKM & CO.

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

(SAUDI RIYALS)

	Notes	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	5	**154,912,900**	124,471,071
Right of use	6	**694,378,352**	775,073,996
TOTAL NON-CURRENT ASSETS		**849,291,252**	899,545,067
CURRENT ASSETS			
Inventory, net	7	**15,626,738**	12,989,851
Trade receivables, net	8	**335,518,510**	357,896,366
Due from related parties	9	**18,736,610**	24,028,243
Prepayments and other debit balances	10	**69,111,602**	58,514,273
Cash and cash equivalents	11	**26,585,303**	36,088,563
TOTAL CURRENT ASSETS		**465,578,763**	489,517,296
TOTAL ASSETS		**1,314,870,015**	1,389,062,363
SHAREHOLDERS EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	1	**500,000,000**	500,000,000
Statutory reserve	12	**25,079,630**	22,466,028
Retained earnings		**1,337,349**	1,814,929
TOTAL EQUITY		**526,416,979**	524,280,957
NON-CURRENT LIABILITIES			
Employees defined benefits obligation	13	**12,680,012**	13,412,491
Lease liabilities	6	**316,255,139**	316,233,460
TOTAL NON-CURRENT LIABILITIES		**328,935,151**	329,645,951
CURRENT LIABILITIES			
Lease liabilities - current portion	6	**215,408,520**	176,965,264
Short-term loans	14	**131,795,115**	239,467,433
Suppliers	15	**7,238,338**	2,666,785
Accrued expenses and other credit balances	16	**98,213,229**	107,261,677
Zakat Provision	17	**6,862,683**	8,774,296
TOTAL CURRENT LIABILITIES		**459,517,885**	535,135,455
TOTAL LIABILITIES		**788,453,036**	864,781,406
TOTAL EQUITY AND LIABILITIES		**1,314,870,015**	1,389,062,363

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	Notes	2020	2019
Revenue	18	**497,585,228**	787,498,473
Cost of Revenue	19	**(398,539,503)**	(451,074,504)
Gross profit		**99,045,725**	336,423,969
Selling and marketing expenses	20	**(11,066,052)**	(42,422,004)
General and administrative expenses	21	**(36,552,884)**	(29,550,105)
Profit from continuing main operations		**51,426,789**	264,451,860
Finance expenses	22	**(21,251,892)**	(31,573,121)
Other income, net	23	**326,890**	1,213,152
Profit before zakat		**30,501,787**	234,091,891
Zakat	17	**(5,300,925)**	(8,746,156)
Net Profit		**25,200,862**	225,345,735
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of employees defined benefits obligation	13	**935,160**	(685,459)
Other comprehensive income (loss)		**935,160**	(685,459)
TOTAL COMPREHENSIVE INCOME		**26,136,022**	224,660,276
Earning Per share	26		
Profit from continuing main operations		**1.03**	5.29
Net Profit		**0.50**	4.51
Total comprehensive income		**0.52**	4.49

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

ARABIAN CONTRACTING SERVICES COMPANY
(CLOSED JOINT STOCK COMPANY)
CONSOILDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(SAUDI RIYALS)

	Notes	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance as at January 1,2019	1	250,000,000	75,000,000	114,321,482	439,321,482
Share capital increase		250,000,000	(75,000,000)	(175,000,000)	-
Net profit		-	-	225,345,735	225,345,735
Other comprehensive loss		-	-	(685,459)	(685,459)
Transfer to statutory reserve	12	-	22,466,028	(22,466,028)	-
Dividends	24	-	-	(139,700,801)	(139,700,801)
Balance as at December 31, 2019		500,000,000	22,466,028	1,814,929	524,280,957
Net profit		**-**	**-**	**25,200,862**	**25,200,862**
Other comprehensive income		**-**	**-**	**935,160**	**935,160**
Transfer to statutory reserve	**12**	**-**	**2,613,602**	**(2,613,602)**	**-**
Dividends	**24**	**-**	**-**	**(24,000,000)**	**(24,000,000)**
Balance as at December 31, 2020		**500,000,000**	**25,079,630**	**1,337,349**	**526,416,979**

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

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMNT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2020

(SAUDI RIYALS)

	2020	2019
Cash flow from operating activities		
Profit before Zakat	**30,501,787**	234,091,891
Adjustment:		
Depreciation	**25,698,366**	24,365,205
Impairment of inventory	**-**	553,973
Impairment of trade receivables	**8,000,000**	3,483,264
Amortization of Right of use	**340,996,647**	374,414,718
Loss from disposal of property and equipment	**612,719**	752,731
Employees defined benefits obligation	**2,373,125**	1,301,983
Finance expenses	**21,251,892**	31,573,121
Changes in operating assets and liability:		
Trade receivables	**14,377,856**	(73,292,492)
Inventories	**(2,636,887)**	(562,226)
Due from /to related parties	**3,886,567**	(1,582,877)
Prepayments and other debit balances	**(50,371,325)**	(14,250,747)
Suppliers	**4,571,553**	639,715
Accrued expenses and other credit balances	**(42,336,336)**	(44,931,784)
Cash flows from operating activities	**356,925,964**	536,556,475
Employee defined benefits obligation Paid	**(1,058,770)**	(714,259)
Zakat Paid	**(7,212,538)**	(9,136,166)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**348,654,656**	526,706,050
CASH FLOW FROM INVESTING ACTIVITIES		
Property and equipment additions	**(57,987,466)**	(44,531,494)
Proceeds from disposal of property and equipment	**1,234,552**	669,307
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(56,752,914)**	(43,862,187)
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term bank loans	**(107,672,318)**	100,082,645
Lease liabilities	**(148,774,184)**	(394,086,994)
Finance expenses	**(20,958,500)**	(31,573,121)
Dividends paid	**(24,000,000)**	(139,700,801)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(301,405,002)**	(465,278,271)
Net change in cash and cash equivalents balances	**(9,503,260)**	17,565,592
Cash and cash equivalents as at 1 January	**36,088,563**	18,522,971
CASH AND CASH EQIVALENTS AS AT DECEMBER 31	**26,585,303**	36,088,563
SIGNIFICANT NON - CASH TRANSACTION		
Right of use/ lease liability	**264,367,728**	1,149,488,714
Lease liability	**33,287,889**	6,747,805
Closing Prepayment expenses at the initial date of adapted IFRS 16	**39,773,995**	255,455,192
Transfer defined Employee benefits obligations to related party	**1,405,066**	-
Increase in share capital by Retained Earnings & Statutory Reserve	**-**	250,000,000

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

1- ORGANIZATION AND ACTIVITY

Arabian Contracting Services Company (the «Company») is a Saudi Closed Joint Stock registered in Riyadh, Kingdom of Saudi Arabia on 18 Jumada Alula 1403H (corresponding to 2 March 1983) under Commercial Registration No. 1010048419.

The head office of the company located in Olaya Tower, Riyadh city, social insurance tower Building (B) Floor 33.

The main activities of the company and its branches are in the execution of contracting, construction works, purchase of land for the construction of buildings for the company, establishment and equipping exhibitions, road works, maintenance, mechanical works, building works, import, export and wholesale and retail trade in advertising, promotion, printing materials, supplies and equipment of all kinds.

On 13/03/1441H corresponding to 10/11/2019G, the board of directors of the Arabian Contracting Services decided to increase the capital by 250 million Saudi riyals to become 500 million Saudi riyals, by transferring 75 million Saudi riyals from the statutory reserve and transferring 175 million riyals Saudi from the retained earnings to the capital, that proposal was approved by the extraordinary general assembly on 1/4/1441H corresponding to 28/11/2019G, and the commercial registry and articles of association were amended on 25/12/2019G.

On 11/4/1441H corresponding to 8/12/2019G, the board of directors of the Arabian Contracting Services approved the assignment of the shareholders of their shares in the company at book value, in favor of Engineer Holding Group Company owned by the same shareholders.

On 02/09/1441H corresponding to 23/04/2020G, Engineer Abdelellah Abdulrahman Saleh Alkhereji sold 2.5 million shares, representing 5% of the shares of the Arabian Contracting Services Company, to MBC Group Holding Ltd, so that his share after the amendment becomes 25% of the capital, the ownership of the shares was transferred on 04/12/1441H corresponding to 24/07/2020G, and the conditions for closing the sale and transferring the ownership of shares were fulfilled on 28/07/2020G.

The company's capital amounting to Saudi Riyal 500 million is divided into 50 million shares, the value of each share is 10 Saudi Riyals. The shareholders and the percentage of their share as at December 31, 2020 are as follows:

Name	Percentage	(Expressed in Saudi Riyal)	
		Number of Shares	Total
Engineer Holding Group Company	70%	35,000,000	350,000,000
Abdelellah Abdulrahman Saleh Alkhereji	25%	12,500,000	125,000,000
MBC Group Holding LTD	5%	2,500,000	25,000,000
Total	**100%**	**50,000,000**	**500,000,000**

The accompanying consolidated financial statements include the activities of the Company and its branches listed below, which operate under the following sub-trade registers:

Branch	Commercial Registration No	Commercial Registration Source	Date of Registration
Raweyah printing press factory	1010057812	Riyadh	14/05/1405
Branch of Arabian Contracting service company	1010062303	Riyadh	02/07/1406
Arab Eyn Company for Advertising	1010500526	Riyadh	18/04/1440
Arabian Contracting service company	4030058296	Jeddah	12/01/1408
Arab Painting Manufacturing Factory	4030275525	Jeddah	30/01/1435

2- SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTION:

The preparation of the company›s consolidated financial statements in accordance with the International Financial Reporting Standards requires management to make estimates and assumptions that may affect the values in the consolidated financial statements, as these values may differ from the previous estimates. It also requires management to exercise its judgmental during the process of implementing the company›s accounting policies. The Company's opinions estimate and assumptions, which relate to future causes.

Opinions

Through the process of implementing the company›s accounting policies, the management expresses the following opinions that have a material impact on the amounts included in the company›s consolidated financial statements.

Estimates and assumptions

The main assumptions that relate to future causes and other major sources of unconfirmed estimates of the history of the consolidated financial position and which have significant risks of adjustments to the carrying amount of the assets and liabilities during the subsequent financial period are as follows:

Impairment of Receivable balances

The process for determining an impairment of trade receivables requires estimates. A decrease in the value of commercial debtors is recognized when there is objective evidence that the company will be unable to collect its debt. Bad debts are written off when identified.

The criteria for determining the amount of the decrease or amount to be written off include aging analyzes, technical assessments and subsequent events. provision and impairment of receivables are subject to management approval.

The decrease in the value of commercial debtors is charged to the statement of comprehensive income or loss and disclosed under general and administrative expenses. Trade receivables when they are uncollectible are eliminated from the provision for impairment in the statement of comprehensive income. When subsequent events cause the decrease in the amount of the trade receivables decrease, the decrease in the value of the trade receivables is reversed through the statement of comprehensive income.

Useful lives of property and equipment

The company determines the estimated useful lives of property, plant and equipment for the purpose of calculating the depreciation. This estimate is determined after considering the expected use of the asset or physical wear and tear agents. The management reviews the residual value and the useful lives annually, and the future depreciation expense is adjusted when the management considers that the useful lives differ from the previous estimates.

2- SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTION (Continued):

Impairment of property and equipment

The company›s management assesses the impairment of property and equipment in the event of events or changes in circumstances indicating that the carrying amount may not be recoverable. Factors that are considered significant and which lead to revaluation of impairment, among others, include the following:

- Significant changes in technology and the regulatory environment.
- Evidence from internal reports indicates that the economic performance of an asset is expected to be, or will be, bad.

Provisions

Provisions are recognized when the company has it Current or deductive legal obligation based on an event in the past there are likely to be claims to settle that obligation in the future which will result in outflows of resources and the amount of the obligation can be estimated reliably. Provisions are discounted using the current pre-tax discount rate that reflects the time value of money, as appropriate, the risks specific to the liability, when the effect of the time value of money is significant. An increase in the provision due to the passage of time when the discount is used is recognized as part of the financing costs in the statement of comprehensive income.

Uncertain Zakat positions

The current Zakat payable of the company relates to the management›s assessment of the amount of Zakat due. The final result may differ when issuing the final assessment by the General Authority of Zakat and Income in future periods. Note 17.

Right of use

The company's management has chosen the discount rate based on the average discount rates with which it obtained loans during the year and according to its estimates, and at the end of each financial period the company studies whether there is a decrease in the value of the right to use or not, and in the event that there are events or changes in circumstances that indicate that, the book value may not be recoverable. It includes factors which are considered significant which trigger an impairment review.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards "IFRS" endorsed in the Kingdom of Saudi Arabia and other standards issued and pronouncements by the Saudi Organization for Certified Public Accountants "SOCPA".

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for employee-defined benefits that are measured at the present value of future liabilities using the expected credit method. In addition, these consolidated financial statements are prepared using the accounting accrual basis and going concern basis.

Display currency and activity

The consolidated financial statements are presented in Saudi riyals, as the functional currency used in preparing the financial reports. All amounts are shown to the nearest Saudi Riyal unless otherwise indicated.

Basis of consolidation

The following steps used when preparing the consolidated financial statements:

- The book value of the parent company's investment in each subsidiary is excluded, with the parent's share of the equity in each subsidiary.
- Non-controlling interests in the comprehensive income of the consolidated subsidiaries are determined during the period for which the consolidated financial statements are prepared.
- Non-controlling interests are determined in the net assets of the consolidated subsidiaries and are presented in the consolidated financial statements independently of the shareholders 'equity of the parent company. Non-controlling interests in the net assets consist of:
    1) The amount of non-controlling interest in the original date of consolidation.
    2) Share of non-controlling interests in the change in ownership rights from the date of consolidation.
- The transactions, revenues and expenses exchanged between the Group›s companies are completely excluded.

The financial statements of the parent company as well as the financial statements of the subsidiary companies used in preparing the consolidated financial statements are prepared on the same date.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in the same circumstances.

Non-controlling interests are presented in the consolidated statement of financial position within equity, in a separate item from the equity of the parent company›s shareholders, and the share of non-controlling interests in the profit or loss of the group is presented separately.

The consolidated financial statements include the accounts of the company and its subsidiary company ("the group") in which it owns more than 50% of the property rights or has control over those subsidiaries for the purposes of preparing these consolidated financial statements. Between the company and these subsidiaries.

The consolidated financial statements of the group as of December 31, 2020 include **Out of Home Company** - a limited liability company in the United Arab Emirates which is a subsidiary company 100% owned by the company with a capital of AED 100,000 - a company in the free zone.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Current versus non-current classification

The Company presents assets and liabilities in the statement of consolidated financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- The asset is expected to be realized within 12 months after the consolidated statement of financial position date, or
- Being in cash or cash equivalent unless it is prohibited to exchange the asset or use it to settle a liability within at least 12 months from the date of the consolidated financial position.

All other assets are classified as non-current.

A liability is current when it is

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- The liability is expected to be settled within 12 months after the consolidated statement of financial position date
- The absence of an unconditional right to defer the settlement of the obligation for at least 12 months after the date of the consolidated financial position.

The Company classifies all other liabilities as non-current.

Property and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Repair and maintenance costs are recognized in profit or loss as incurred. As for the improvement expenses, they are considered capital expenditures. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

The estimated life of these assets are as follows:

	Years
Buildings	20
Billboards (Fixed and Motion)	7
Motor Vehicles	4
Furniture and Furniture	10
Equipment and tools	10

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Right of use and lease liabilities

The Company has recognized new assets and liabilities for its operating leases of various types of contracts including Company's factories, depot facilities and rental premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Profit or Loss over the lease period so as to produce 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 and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. i. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs; and - restoration 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): - fixed payments (including in-substance fixed payments), less any lease incentives receivable; - variable lease payments that are based on an index or a rate; - 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 recognised on a straight-line basis as an expense in the Statement of Profit or Loss.

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 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, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Inventory

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

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounts receivable

Accounts 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 in value. Amortized cost is calculated by taking into account 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 statement of comprehensive income. The losses arising from impairment are included in the statement of comprehensive income.

Transactions with related parties

Related parties represent all affiliated, associates, major shareholders, directors and senior management of the Company and include those companies controlled, jointly controlled or influenced by those related parties.

Impairment of assets

The company performs a periodic review of the book value of tangible and intangible assets to ensure that there is any evidence of any loss resulting from an impairment in its value. In the event of such evidence, the recoverable amount of that asset is estimated in order to determine the extent of this loss. In cases where it is not possible to estimate the recoverable amount of that asset, the company estimates the recoverable amount of the cash-generating unit to which that asset belongs.

In cases where the recoverable amount of the asset or cash-generating unit is estimated to be less than its book value, then the book value of that cash-generating asset or unit is reduced to the recoverable amount, and losses of impairment in the value of the asset are recognized immediately in the statement of comprehensive income.

If the impairment loss constraint is subsequently reversed, then the book value of the cash generating unit or unit is increased to the adjusted recoverable amount, and the increased book value does not exceed the book value that was to be determined if it had not been proven Loss of impairment in the value of that cash generating asset or unit in prior years. A reversal of an impairment loss is recognized as revenue in the statement of comprehensive income.

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 significant changes in value.

For the statement cash flows, cash and cash equivalents consist of cash and cash equivalents they are considered an integral part of the Company's cash management.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Employees defined benefits obligation

The end-of-service compensation shall be redeemed in the attached consolidated financial statements in accordance with the requirements of the Saudi labor system, based on the period the employee spent in the service of the company.

The employee benefit cost is determined by defined benefit programs separately for each program using the planned credit unit 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Loans

This is the category most relevant to the Company. After initial recognition, loans bearing commission are measured at amortized cost using the effective interest rate method. Gains or losses are recognized in the consolidated statement of comprehensive income when the obligations are paid, and also through the amortization of the effective commission rate.

Payables and accrued expenses

The amount of the liability to be paid for goods and services received, whether invoiced to the Company or not, is recognized.

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 the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Zakat

The Company is subject to the regulations of the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is provided on accruals basis. The Zakat charge is computed based on the zakat base or adjusted net income, whichever is higher. Any differences between the provision and the final assessment are recorded when the final assessment is approved, at which time the provision is cleared.

Revenue recognition

The company recognizes revenue in accordance with contracts and according to the principle of accrual when providing service to clients. Other revenue is recognized when earned.

Revenue from contracts with customers is recognized when control over the services provided to the customer is transferred according to the value that reflects the compensation that the company expects to be entitled to in exchange for this transfer.

The company 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 commitment 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 company expects to receive in exchange for transferring the agreed goods or services to the customer, except for the sums collected on behalf of third parties.

Step 4: Assigning the transaction price to the performance obligations in the contract: For a contract period that contains more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that specifies the amount of consideration to which the company will be paid. You expect to be entitled to payment for each performance obligation.

Step 5: recognize of the revenue when the company fulfills the performance obligation.

Discount attribute to customers

The Company provides a discount for some customers when the value of contracts executed during the period exceeds a certain amount in the contract. Discounts are charged against amounts owed by the customer. The Company applies the requirements for the recognition of variable compensation estimates and book the obligation based on future expectation.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cost of obtaining the contract

The company pays the costs of tenders and technical studies undertaken by third parties in order to obtain the contracts. These costs are capitalized and amortized on a straight-line basis over the contract period, and after the company applies IFRS (16) lease contracts, the value of the depreciation and financing benefits arising from the initial application of the standard is the cost of obtaining the contract.

Contracts expected to be in loss

If the company has a contract that is expected to be in loss, the current obligation is recognized under the contract and measured as a provision. However, before proving a separate provision for a contract that is expected to be in loss, the Company recognizes any impairment losses that occurred in the assets designated for that contract.

Expenses

Selling and distribution expenses consist primarily of the costs incurred to market the Company›s activities. Other expenses are classified as general and administrative expenses.

Rentals

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.

The company as a lessee

At the inception of the lease, the finance lease is capitalized on the basis of which substantially all the risks and rewards associated with the acquisition of the leased item are transferred to the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are distributed using the interest rate prevailing between the financial expense and the decrease in the lease obligation to achieve a constant rate of interest on the outstanding balance of the liability. Financial expenses are recognized in comprehensive income.

Leasehold assets are depreciated over the useful life of the asset, but where there is no reasonable assurance that the company will acquire ownership at the end of the lease period, the asset is depreciated over the estimated useful life of the asset or lease period, whichever is shorter.

Operating lease is a lease other than a finance lease. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Foreign currencies

Transactions and balances

Transactions in foreign currency are initially recorded at the functional currency rate at the date on which the transaction is eligible for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rate prevailing at the date of preparation of the consolidated financial statements. All differences arising from adjustments or transactions on monetary items are recognized in the statement of comprehensive income.

Non-monetary items for which the historical cost has been measured in a foreign currency are translated primarily at the rate of the currency prevailing at the date of the transactions. Non-monetary items in foreign currencies for which the fair value is measured in a foreign currency are translated at the exchange rate prevailing at the date when the fair value was determined. Gains or losses arising from translation of non-monetary items that are measured at fair value are treated in accordance with the recognition of the gains and losses resulting from the change in the fair value of that item. That is, translation differences for items whose fair value gains and losses are recognized in the statement of other comprehensive income are recognized in other comprehensive income, and items for which fair value gains and losses are recognized in profit and loss are recognized in the comprehensive income.

4- APPLICATION OF NEW AND REVISED IFRSS

4-1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Revised ‹Conceptual Framework for Financial Reporting'.
- Amendments to IFRS 3 Business Combinations to clarify the definition of a business.
- Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments regarding pre-replacement issues in the context of the IBOR reform.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the definition of material.
- Amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification

4- APPLICATION OF NEW AND REVISED IFRSS (Continued):

4-2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2023
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous	1 January 2022
Amendments to IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IFRS 16 Leases regarding replacement issues in the context of the IBOR reform	1 January 2021
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

5- PROPERTY AND EQUIPMENT, NET:

	Land	Buildings	Billboards fixed and motion	Motor vehicles	Furniture and fixture	Equipment and tools	Work in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost								
January 1, 2019	-	16,168,556	162,194,094	8,557,684	4,141,370	36,819,732	19,107,880	246,989,316
Additions	-	-	22,238,976	1,385,210	256,882	6,427,600	14,222,826	44,531,494
Transfers	-	716,456	11,962,537	-	-	-	(12,678,993)	-
Disposals	-	-	(33,955,767)	(331,290)	(352,321)	(3,723,587)	-	(38,362,965)
December 31, 2019	-	16,885,012	162,439,840	9,611,604	4,045,931	39,523,745	20,651,713	253,157,845
Additions	**1,358,770**	**679,384**	**-**	**274,993**	**556,843**	**2,256,700**	**52,860,776**	**57,987,466**
Transfers	**-**	**208,114**	**41,893,837**	**435,310**	**143,962**	**-**	**(42,681,223)**	**-**
Disposals	**-**	**(658,561)**	**(30,261,468)**	**(910,036)**	**(229,471)**	**(4,297,376)**	**(94,211)**	**(36,451,123)**
December 31, 2020	**1,358,770**	**17,113,949**	**174,072,209**	**9,411,871**	**4,517,265**	**37,483,069**	**30,737,055**	**274,694,188**
Accumulated depreciation								
January 1, 2019	-	8,159,026	98,034,945	7,377,320	2,242,876	25,448,329	-	141,262,496
Charge for the year	-	620,129	19,471,725	947,035	565,302	2,761,014	-	24,365,205
Disposals	-	-	(32,564,428)	(312,062)	(340,850)	(3,723,587)	-	(36,940,927)
December 31, 2019	-	8,779,155	84,942,242	8,012,293	2,467,328	24,485,756	-	128,686,774
Charge for the year	**-**	**798,283**	**20,408,159**	**826,362**	**636,404**	**3,029,158**	**-**	**25,698,366**
Disposals	**-**	**(423,158)**	**(28,818,616)**	**(896,188)**	**(227,479)**	**(4,238,411)**	**-**	**(34,603,852)**
December 31, 2020	**-**	**9,154,280**	**76,531,785**	**7,942,467**	**2,876,253**	**23,276,503**	**-**	**119,781,288**
Net Book Value								
December 31, 2020	**1,358,770**	**7,959,669**	**97,540,424**	**1,469,404**	**1,641,012**	**14,206,566**	**30,737,055**	**154,912,900**
December 31, 2019	-	8,105,857	77,497,598	1,599,311	1,578,603	15,037,989	20,651,713	124,471,071

* Projects under progress are road billboards that are being manufactured and the expected additional value until completion as of December 31, 2020: 16,089,244 Saudi riyals (2019: 3,903,864 Saudi riyals) (note 25).

5- PROPERTY AND EQUIPMENT, NET (Continued):

Fully depreciated assets costs still in use and stated as follows:

	(Saudi Riyal)	
	2020	2019
Equipment	6,965,199	10,734,096
Billboards	13,725,859	13,902,539
Motor vehicles	6,983,044	5,806,025
Buildings	3,768,678	3,777,716
Office equipment and furniture	208,938	231,491
	31,651,718	34,451,867

Distribution of depreciation on expenses:

	(Saudi Riyal)	
	2020	2019
Cost of revenue (Note 19)	24,657,981	23,603,135
General and administrative expenses (Note 21)	1,040,385	762,070
	25,698,366	24,365,205

Losses arising from disposal of fixed assets:

	(Saudi Riyal)	
	2020	2019
Cost of disposed assets excluded	36,451,123	38,362,965
Accumelated depreciation	(34,603,852)	(36,940,927)
Net book value	1,847,271	1,422,038
Proceeds from disposal	1,234,552	669,307
Work in progress charged to general and administrative expenses	94,211	-
Loss from disposal (Note 23)	(518,508)	(752,731)

6- RIGHT OF USE:

The rights of use assets have been measured at an amount equal to the lease obligations, and adjusted for the amounts of prepayments and lease payments due related to those lease contracts recognized in the consolidated statement of financial position.

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

6- RIGHT OF USE (Continued):

	(Saudi Riyal)	
	2020	**2019**
Right of use		
Balance at the initial adoption	**-**	1,113,285,660
Blance as of 1 January	**1,149,488,714**	-
Adjustments	**(4,066,725)**	-
Additions during the year	**264,367,728**	36,203,054
	1,409,789,717	1,149,488,714
Right of use accumulated amortization		
Balance as of 1 January	**(374,414,718)**	-
Adjustments	**11,382,913**	-
Amortization	**(352,379,560)**	(374,414,718)
Balance at the end of the year	**(715,411,365)**	(374,414,718)
Net Right of use	**694,378,352**	775,073,996
Lease liabilities		
Balance at the initial adoption	**-**	1,113,285,660
Balance as of 1 January	**493,198,724**	-
Adjustments	**(4,066,725)**	-
Finance expenses adjustment	**(154,144)**	-
Accrued rent adjustment	**304,541**	-
Additions during the year	**264,367,728**	36,203,054
	753,650,124	1,149,488,714
Deduct / added:		
Close prepaid expenses on initial adoption	**-**	(255,455,192)
Close prepaid expenses	**(39,773,995)**	-
Payments during the year	**(162,791,355)**	(417,558,475)
Finance expenses (Note 22)	**14,171,315**	23,471,481
Amortization of accrued	**(33,592,430)**	(6,747,804)
The balance at the end of the year	**531,663,659**	493,198,724
Current portion	**215,408,520**	176,965,264
Non-current portion	**316,255,139**	316,233,460
	531,663,659	493,198,724

Distribution of amortization over the expenses:

	(Saudi Riyal)	
	2020	**2019**
Cost of revenue (Note 19)	**338,948,687**	371,971,542
Selling and marketing expenses (Note 20)	**388,521**	305,998
General and administrative expenses (Note 21)	**1,659,439**	2,137,178
	340,996,647	374,414,718

7- INVENTORY, NET:

	(Saudi Riyal)	
	2020	2019
Paper and other materials	**14,167,284**	13,454,376
Spare parts not for sake purpose	**3,020,514**	1,096,535
	17,187,798	14,550,911
Impairment of inventory	**(1,561,060)**	(1,561,060)
	15,626,738	12,989,851

The movement of impairment of inventory during the year ended December 31 is as follows:

	(Saudi Riyal)	
	2020	2019
Balance as of January 1,	**1,561,060**	1,007,087
Impairment charged for the year	**-**	553,973
Balance as of December 31,	**1,561,060**	1,561,060

8- TRADE RECEIVABLES, NET:

	(Saudi Riyal)	
	2020	2019
Trade receivables	**342,560,770**	359,486,780
Trade receivables (Related Parties, note 9)	**4,159,124**	-
Impairment of trade receivables	**(13,283,264)**	(5,283,264)
	333,436,630	354,203,516
Notes Receivable	**2,081,880**	3,692,850
	335,518,510	357,896,366

The movement in the impairment of trade receivables during the year ended December 31:

	(Saudi Riyal)	
	2020	2020
Balance as at January 1,	**5,283,264**	1,800,000
Addition	**8,000,000**	3,483,264
Balance as of December 31,	**13,283,264**	5,283,264

8- TRADE RECEIVABLES, NET (Continued):

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

	Overdue balances without impairment					
	Less than 30 days SR	From 31 days to 90 days SR	From 91 days to 180 days SR	From 181days to 365 days SR	More than 365 days SR	Total SR
2020	**176,008,424**	**89,083,600**	**23,748,149**	**22,513,254**	**22,083,203**	**333,436,630**
2019	188,585,808	81,474,614	34,436,469	29,093,130	20,613,495	354,203,516

The credit period granted to customers ranges from 30 to 90 days and no commissions are charged to these accounts, The Company makes impairment of trade receivables taking into consideration several factors including the age of the receivables and the consolidated financial position of the customers where available, Concentrations of credit risk are limited because the customer base is large and the customer is not linked, no clients account for more than 10% of the total balance of trade receivables.

9- BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

During the year, the Company has entered into transactions with the related parties described below. The terms of these transactions and expenses have been approved by the Company›s management and are similar to normal course of business transaction of the company. The transactions registered below were carried out with the following entities:

Name of Institution	Nature of Relationship
Engineer Holding Company	Shareholder
MBC holding limited group	Shareholder
House of skill for Contracting	Affiliate
Advanced Digital Systems Company	Affiliate
National Signage Industrial Company	Affiliate
Elegant hotel company	Affiliate
Al Mizah company	Affiliate
Multaqa Al Zad For tourism Co.	Affiliate
Saudi Media company	Affiliate
Elegant restaurant company	Affiliate

9- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued):

Related party	Nature of transaction	(Saudi Riyal)	
		2020	2019
Engineer Holding Company	Dividend	**24,000,000**	-
Engineer Holding Company	Transferred E.O.S	**1,405,066**	-
National Signage Industrial Company	Advances to contractor	**9,296,416**	-
National Signage Industrial Company	Billboard payments	**5,291,633**	-
MBC holding limited group	Sales	**2,832,942**	-
Multaqa Al Zad For tourism Co.	Sales	**670,929**	-
National Signage Industrial Company	Sales	**313,970**	-
Elegant hotel company	Sales	**309,374**	-
Elegant restaurants company	Sales	**75,879**	-
Multaqa Al Zad For tourism Co.	Collections	**72,728**	-
Saudi Media company	Sales	**60,559**	-
Elegant restaurants company	Collections	**42,349**	-
House of skill for Contracting	Advances to contractor	**36,230**	-
Elegant hotel company	Collections	**9,148**	-
House of skill for Contracting	Fund Transfers	-	2,200,000
House of skill for Contracting	Expenses	-	2,710,000
House of skill for Contracting	Expenses	-	1,650,236
House of skill for Contracting / Abdul Al Ellah Al Kherajy	Real Estate rent	-	445,000
National Signage Industrial Company	Fund Transfers	-	4,240,000
National Signage Industrial Company	Salaries and other benefits	-	1,051,633
Elegant hotel company	Fund Transfers	-	101,231,240
Elegant hotel company	Expenses	-	3,053,750
Engineer Holding Company	Fund Transfers	-	200,000
Engineer Holding Company	Sales and cash transfers	-	1,111,012
Saudi Media company	Fund Transfers	-	3,283,793
Saudi Media company	Sales and cash transfers	-	12,298,714
Advanced Digital Systems Company	Expenses	-	368,947
Al Miza Company	Sales and cash transfers	-	45,565,491

9- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued):

The following is a list of compensation for key management employees incurred during the year ended December 31:

	(Saudi Riyal)	
	2020	**2019**
Short-term benefits	**4,997,876**	18,817,660
Employees defined benifits obligation (The ending Blance)	**3,780,087**	4,639,537
	8,777,963	23,457,197

The movement in the defined employee benefits in the year ended December 31as follows:

	(Saudi Riyal)	
	2020	**2020**
Balance as at January 1,	**4,639,537**	3,857,995
Addition	**545,616**	781,542
Transferred to related parties	**(1,405,066)**	-
Balance as of December 31,	**3,780,087**	4,639,537

Key management include members of the board of directors, chief executive officer, chief financial officer and executives as persons who have the authority and responsibility to plan, direct and control the company›s activities.

The amounts due from related parties is as follows:

	(Saudi Riyal)	
	2020	**2019**
Engineer Holding Group Company	**18,736,610**	18,736,610
National Signage Industrial Company	**-**	5,291,633
	18,736,610	24,028,243

Trade Receivables (Related Parties, Note 8)

	(Saudi Riyal)	
	2020	**2019**
House of skill for Contracting	**10,351**	-
MBC holding limited group	**2,832,942**	-
National Signage Industrial Company	**313,970**	-
Elegant restaurants company	**42,875**	-
Multaka Al Zad Company for tourim	**598,201**	-
Saudi Media company	**60,559**	-
Elegant hotel company	**300,226**	-
	4,159,124	-

9- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued):

Advances to suppliers (Related Parties, Note 10)

	(Saudi Riyal)	
	2020	**2019**
National Signage Industrial Company	**9,296,416**	-
House of skill for Contracting	**28,685**	-
	9,325,101	-

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

10- PREPAYMENTS AND OTHER DEBIT BALANCES:

	(Saudi Riyal)	
	2020	**2019**
Prepaid rent locations of billboards	**33,441,893**	44,472,195
Prepaid expenses and other debit balances	**16,261,675**	6,173,883
Advances to suppliers	**6,181,887**	3,442,020
Advances to suppliers (Related Parties note 9)	**9,325,101**	-
Cash margin of bank guarantees and letter of credits (Note 25)	**1,674,227**	2,303,227
Employee receivable	**1,920,060**	2,122,948
Others	**306,759**	-
	69,111,602	58,514,273

* Lease payments include contracts that have not started yet and the company committed for these contracts.

11- CASH AND CASH EQUIVALENTS:

	(Saudi Riyal)	
	2020	**2019**
Cash at banks	**25,887,201**	35,559,992
Cash on hand	**698,102**	528,571
	26,585,303	36,088,563

12- STATUTORY RESERVE

In accordance with the requirements of the Saudi Companies Regulations, the Company establishes a statutory reserve of 10% of net profit until this reserve reaches 30% of the capital, this reserve is not available for distribution as dividends. This legal reserve has been used in capital share increase for the company as shown in note (1).

13- EMPLOYEE DEFINED BENEFITS OBLIGATION

	(Saudi Riyal)	
	2020	2019
Balance as at 1 January	**13,412,491**	12,139,308
Current services cost	**2,373,125**	780,461
Interest expense	**293,392**	521,522
Re-measurement charged into other comprehensive income	**(935,160)**	685,459
Paid	**(1,058,770)**	(714,259)
Transferred to related parties	**(1,405,066)**	-
Balance as at December 31,	**12,680,012**	13,412,491

Key actuarial assumptions:

	(Saudi Riyal)	
	2020	2019
User discount rate	**2.45%**	3.88%
Salary increase rate	**1.50%**	3.01%
Employee turnover	**Average**	Average

The sensitivity analysis of the main actuarial assumptions is analyzed below:

	(Saudi Riyal)	
	2020	2019
Discount Rate 1% (+/-)		
Increase	**10,247,239**	13,267,380
Decrease	**14,136,025**	13,557,602
Expected salary increase ratio 1% (+/-)		
Increase	**14,134,846**	2,563,364
Decrease	**10,271,320**	2,470,590

14- SHORT-TERM LOANS

The Company have obtained bank facilities represented in short-term loans and letters of guarantee from local commercial banks amounting to SR 615 million, the utilized portion of these loans amounted to SR 131,795,115 as at (2019: 239,467,433). 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 one of the shareholders of the company, A promissory note of SR 615 million is payable upon request.

The agreements include several bank covenants related to financial ratios and total deposits, some of them were not complied with by the company on December 31, 2020.

15- SUPPLIERS

	(Saudi Riyal)	
	2020	**2019**
Local suppliers	**3,327,771**	1,142,478
Foreign suppliers	**3,910,567**	1,524,307
	7,238,338	2,666,785

16- ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	(Saudi Riyal)	
	2020	**2019**
Discounts due to customers	**31,221,410**	34,797,316
Rents of secured contracts	**44,134,426**	30,734,619
Accrued commissions	**2,212,277**	19,847,080
Oter credit balances	**7,385,897**	15,291,242
Unearned revenue	**1,739,520**	2,308,201
VAT	**9,935,737**	2,212,455
Advances payments from customers	**1,271,320**	1,938,517
Other	**312,642**	132,247
	98,213,229	107,261,677

17- ZAKAT:

The main elements of Zakat are as follows:

	(Saudi Riyal)	
	2020	2019
Equity capital	**500,000,000**	500,000,000
Net adjusted income	**44,511,082**	235,188,426
Property, equipment and projects in progress and other spare parts	**(852,025,425)**	(123,695,099)
Provisions, reserves and others	**582,867,943**	14,260,276

The movement for Zakat for the year ended December 31 is as follows:

	(Saudi Riyal)	
	2020	2019
Balance on 1 January	**8,774,296**	9,164,306
Charged for the year	**5,300,925**	8,746,156
Paid during the year	**(7,212,538)**	(9,136,166)
Balance at 31 December	**6,862,683**	8,774,296

The company submitted its zakat return until the fiscal year ending on 31/12/2019 and obtained a certificate from the General Authority for Zakat and Income.

On 9/28/2020, the company received zakat assessments for the fiscal year 2018 AD, with total zakat differences amounting to (3,465,252.59 Saudi riyals). The company escalates the objection to the General Secretariat of the Tax Committees. The application was submitted on February 15, 2021.

18- Revenue:

	(Saudi Riyal)	
	2020	2019
Outdoor advertisements	**471,911,554**	762,276,741
Indoor advertisements	**11,824,629**	10,132,939
Printing	**13,849,045**	15,088,793
	497,585,228	787,498,473

The revenue is as follows:

	(Saudi Riyal)	
	2020	2019
Advertisement inside the Kingdom of Saudi Arabia	**497,585,228**	783,553,096
Advertisements outside the Kingdom of Saudi Arabia	**-**	3,945,377
	497,585,228	787,498,473

19- COST OF REVENUES

	(Saudi Riyal)	
	2020	**2019**
Amortization of right of use (Note 6)	**338,948,687**	371,971,542
Cost of raw materials and others	**23,739,796**	28,319,451
Depreciation (Note 5)	**24,657,981**	23,603,135
Salaries, wages and other benefits	**11,188,539**	12,410,454
Impairment of inventory	**-**	553,973
Other	**4,500**	14,215,949
	398,539,503	451,074,504

20- SELLING AND MARKETING EXPENSES:

	(Saudi Riyal)	
	2020	**2019**
Salaries, wages and other benefits	**8,223,543**	9,869,990
Amortization of right of use (Note 6)	**388,521**	305,998
Sales and distribution commission	**236,284**	24,216,808
Others	**2,217,704**	8,029,208
	11,066,052	42,422,004

21- GENERAL AND ADMINISTRATIVE EXPENSES

	(Saudi Riyal)	
	2020	**2019**
Salaries, wages and other benefits	**19,618,703**	16,318,376
Impairment of trade receivables (Note 8)	**8,000,000**	3,483,264
Donations	**1,847,670**	1,620,629
Amortization of right of use (Note 6)	**1,659,439**	2,137,178
Depreciation (note 5)	**1,040,385**	762,070
Insurance of assets	**644,137**	619,667
Professional fees	**407,800**	1,063,009
Repair and maintenance	**248,440**	459,081
Electricity and water	**168,696**	150,145
Others	**2,917,614**	2,936,686
	36,552,884	29,550,105

22- FINANCING EXPENSES:

	(Saudi Riyal)	
	2020	2019
Finance expenses resulting from lease liabilities (Note 6)	**14,017,171**	23,471,481
Financing expenses arising from short term loans	**6,941,329**	7,580,118
Financing expenses arising from the calculation of employee defined benefit obligations	**293,392**	521,522
	21,251,892	31,573,121

23- OTHER INCOME, NET:

	(Saudi Riyal)	
	2020	2019
Loss on sale of property and equipment (note 5)	**(518,508)**	(752,731)
Other income	**845,398**	1,965,883
	326,890	1,213,152

24- DIVIDENDS:

The Board of Directors recommended a dividend by amount of SAR 24,000,000 during the year ended 31 December 2020, (2019: SAR 139,700,801), Dividends are subject to the approval of the General Assembly of Shareholders.

25- COMMITMENTS AND CONTINGENT LIABILITIES:

As of December 31, the Company has the following contingent liabilities as follows:

	(Saudi Riyal)	
	2020	2019
Letters of Guarantee *	**155,708,100**	137,261,949
Letters of credit	**6,297,316**	14,871,349

* Letters of guarantee and letter of credit are secured against cash margin deposits with banks as at 31 December 2020 amounting to SR1,674,227 (2019: SR 2,303,227) (Note 10).

* The projects in progress are road billboards that are being manufactured and the expected value for completion as at December 31, 2020 is: SR 16,089,244Saudi Riyals (2019: SR 3,903,864 Saudi Riyals). (Note 5).

26- EARNING PER SHARE:

Earnings per share from continuing main operations, net profit, total comprehensive income for the year ended December 31, 2020 and 2019 were calculated by dividing the profit from business and net profit for the year by the number of shares outstanding 2020. The number of shares outstanding as of December 31, 2020: 50 million shares 2019: 50 million shares.

27- FINANCIAL INSTRUMENTS:

Financial instruments included in the consolidated statement of financial position include mainly cash, bank balances, trade receivables and other debit balances, payables, certain outstanding liabilities, other credit balances and short-term bank loans.

FAIR VALUE

Fair value is the amount at which an asset is exchanged, or a liability settled between knowledgeable and willing parties on fair terms. As the financial instruments of the Company are recognized in accordance with the historical cost convention, there are differences between carrying amounts and fair value estimates, Management believes that the fair values of the Company›s assets and liabilities are not materially different from their carrying values.

RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company›s activities expose it to credit risk, liquidity risk and market price risk.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on contract assets, trade receivables and bank balances as follows:

	(Saudi Riyal)	
	2020	**2019**
Trade receivables, net	**335,518,510**	357,896,366
Due from related parties	**18,736,610**	24,028,243
Other debit balances	**20,162,721**	4,426,175
Cash and cash equivalent	**26,585,303**	36,088,563
	401,003,144	422,439,347

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

The Company manages credit risk in respect of contracts, trade receivables and cash and cash equivalents by monitoring them in accordance with specific policies and procedures. The Company seeks to reduce credit risk with respect to customers by setting credit limits for each customer and monitoring receivables that are not continuously collected.

27- FINANCIAL INSTRUMENTS (Continued):

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in collecting funds to meet the obligations in respect of financial instruments, Liquidity risk may result from the inability to sell a financial asset quickly at approximately its fair value. The contractual receivable at the end of the reporting period for financial liabilities are as follows:

	(Saudi Riyal)		
	Book value	Less than one year	More than a year
As of December 31, 2020			
Financial obligations			
Lease obligations	**531,663,659**	**215,408,520**	**316,255,139**
Short-term loans	**131,795,115**	**131,795,115**	**-**
Suppliers	**7,238,338**	**7,238,338**	**-**
Other credit balances	**33,746,329**	**33,746,329**	**-**
Zakat provision	**6,862,683**	**6,862,683**	**-**
	711,306,124	**395,050,985**	**316,255,139**
As of December 31, 2019			
Financial obligations			
Lease obligations	493,198,724	176,965,264	316,233,460
Short-term loans	239,467,433	239,467,433	-
Suppliers	2,666,785	2,666,785	-
Other credit balances	54,741,462	54,741,462	-
Zakat provision	8,774,296	8,774,296	-
	798,848,700	482,615,240	316,233,460

Liquidity risk is managed by monitoring on a regular basis and ensuring that adequate funds, banking facilities and other credit facilities are available to meet future liabilities of the Company.

MARKET PRICE RISK

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates, which affect the Company›s income or the value of financial assets. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while improving returns.

27- FINANCIAL INSTRUMENTS (Continued):

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities in a currency differ from the presentation currency of the company, The Company›s exposure to foreign exchange risk is primarily limited to transactions in US dollars and management believes that its exposure to currency risks linked to the US dollar is limited, Exchange rate fluctuation is constantly monitored against other currencies.

INTEREST RATE RISK

Interest rate risk is the exposure associated with the impact of fluctuations in interest rates on the Company›s financial position and cash flows. Management monitors changes in interest rates and uses interest rate swaps to manage interest rate risk that exceeds certain limits.

28- OPERATING SECTORS:

The sector is a separate and distinct part of the company that engages in business activities that result in revenue earning or incurring expenses. The operating sectors are disclosed on the basis of internal reports that are reviewed by the main operational decision maker and is the person responsible for allocating resources, assessing performance, and making strategic decisions about operational sectors. The operating sectors in which similar economic features and similar products, services and customer groups emerge are grouped and recorded where possible as reported sectors.

The company has one operating sector represented in the subsidiaries of advertising services in the Kingdom of Saudi Arabia and abroad.

29- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements were approved by the Board of Directors on Rajab 16, 1442 H, corresponding to February 28, 2021.

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AND INDEPENDENT AUDITOR›S REVIEW REPORT

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2021

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BAKER TILLY MKM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P.O.Box 300467 Riyadh 11372
Kingdom of Saudi Arabia
T: +966 11 835 1600
F: +966 11 835 1601

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

To the Shareholders

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabian Contracting Services Company ("the Company") and its subsidiary (together "the Group") as at June 30, 2021 and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended June 30, 2021 and interim condensed consolidated statements of changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard - "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

BAKER TILLY MKM & CO.
Certified Public Accountants

بيكر تيلي م ك م وشركاه
محاسبون قانونيون
CPA
License 323/11/479
BAKER TILLY
MKM & CO.

Ayad Obeyan Alseraihi
License No. 405

Riyadh on Muharram 10, 1443 H
Corresponding to August 18, 2021 G

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

(EXPRESSED IN SAUDI RIYALS)

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Non-current assets			
Property and equipment, Net	5	**168,117,359**	154,912,900
Right of use	6	**632,468,116**	694,378,352
Total non-current assets		**800,585,475**	849,291,252
Current assets			
Inventory, Net		**15,886,913**	15,626,738
Trade receivables, Net	7	**324,773,633**	335,518,510
Due from related parties	8	**17,920,545**	18,736,610
Prepaid expenses and other debit balances	9	**302,510,525**	69,111,602
Cash and cash equivalents		**45,324,357**	26,585,303
Total current assets		**706,415,973**	465,578,763
TOTAL ASSETS		**1,507,001,448**	1,314,870,015
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	**500,000,000**	500,000,000
Statutory reserve		**25,079,630**	25,079,630
Retained earnings		**79,905,071**	1,337,349
Total Shareholders' equity		**604,984,701**	526,416,979
Non-current liabilities			
Employees defined benefits obligation		**13,502,343**	12,680,012
Lease liabilities - Non-Current Portion	6	**251,788,680**	316,255,139
Medium-term loans Non-Current Portion	10	**60,000,000**	-
Total non-current liabilities		**325,291,023**	328,935,151
Current liabilities			
Lease liabilities	6	**213,141,181**	215,408,520
Loans and bank Facilities	10	**238,166,641**	131,795,115
Account's payables		**5,862,039**	7,238,338
Accrued expenses and other credit balances	11	**115,625,418**	98,213,229
Zakat Provision	12	**3,930,445**	6,862,683
Total current liabilities		**576,725,724**	459,517,885
Total liabilities		**902,016,747**	788,453,036
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,507,001,448**	1,314,870,015

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

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2021

(EXPRESSED IN SAUDI RIYALS)

	Note	June 30			
		Three-month period		Six-month period	
		2021	2020	2021	2020
Revenue	13	**157,528,209**	32,928,641	**306,108,520**	214,389,851
Cost of Revenue	14	**(71,452,744)**	(102,966,718)	**(169,910,695)**	(197,261,053)
Gross profit (Loss)		**86,075,465**	(70,038,007)	**136,197,825**	17,128,798
Selling and marketing expenses		**(7,959,780)**	(2,687,705)	**(13,434,379)**	(5,329,423)
General and administrative expenses		**(12,170,824)**	(5,167,124)	**(20,168,115)**	(13,572,689)
Operating profit (Loss)		**65,944,861**	(77,892,906)	**102,595,331**	(1,773,314)
Finance expenses		**(2,805,035)**	(5,142,410)	**(8,799,848)**	(11,707,829)
(Expenses) Other income, net		**(11,558,572)**	85,361	**(11,297,316)**	57,602
Net profit (Loss) before zakat		**51,581,254**	(82,949,955)	**82,498,167**	(13,423,541)
Zakat	12	**(2,638,140)**	(963,318)	**(3,930,445)**	(1,926,635)
Net profit (Loss)		**48,943,114**	(83,913,273)	**78,567,772**	(15,350,176)
Other comprehensive income		**-**	-	**-**	-
Total Comprehensive Income (Comprehensive Loss)		**48,943,114**	(83,913,273)	**78,567,772**	(15,350,176)
Earnings per share from:	16				
Net profit (Loss)		**0,98**	(1,68)	**1,57**	(0,31)

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

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(EXPRESSED IN SAUDI RIYALS)

	Note	Share Capital	Statutory Reserve	Retained Earnings (Accumulated Loss)	Total
Balance as at January 01, 2021 (Audited)		**500,000,000**	**25,079,630**	**1,337,349**	**526,416,979**
Comprehensive income		**-**	**-**	**78,567,722**	**78,567,722**
Balance as at June 30, 2021		**500,000,000**	**25,079,630**	**79,905,071**	**604,984,701**
Balance as at January 01, 2020 (Audited)		500,000,000	22,466,028	1,814,929	524,280,957
Comprehensive (Loss)		-	-	(15,350,176)	(15,350,176)
Interim dividends paid	14		-	(24,000,000)	(24,000,000)
Balance as at June 30, 2020		500,000,000	22,466,028	(37,535,247)	484,930,781

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

ARABIAN CONTRACTING SERVICES COMPANY

(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(EXPRESSED IN SAUDI RIYALS)

	June 30, 2021	June 30, 2020
Cash flow from operating activities	**82,498,167**	(13,423,541)
Net income (loss) before Zakat		
Adjustment:		
Depreciation	**13,359,308**	12,768,247
Amortization of Right of use	**141,065,410**	170,869,922
Loss from disposal of property and equipment	**11,641,324**	452,393
Defined employees' benefits obligation	**1,626,692**	1,287,867
Finance expenses	**8,799,848**	11,707,829
Changes in operating assets and liability:		
Trade receivables	**10,744,877**	110,064,807
Inventory	**(260,175)**	(1,278,307)
Due from related party	**816,065**	3,886,670
Prepaid expenses and other debit balances	**(168,176,547)**	(30,177,970)
Account's payables	**(1,376,299)**	1,300,211
Accrued expenses and other credit balances	**17,412,189**	(55,985,312)
Cash flows from operating activities	**118,150,859**	211,472,816
Employee defined benefits obligation Paid	**(804,361)**	(121,423)
Zakat Paid	**(6,862,683)**	-
Net cash flows from operating activities	**110,483,815**	211,351,393
Cash flow from investing activities		
Property and equipment additions	**(38,265,473)**	(28,724,824)
Proceeds from disposal of property and equipment	**60,382**	294,369
Net cash flows used in investing activities	**(38,205,091)**	(28,430,455)
Cash flow from financing activities		
Short and medium-term loans	**166,371,526**	(107,802,467)
Finance expenses	**(8,799,848)**	(11,707,829)
lease liabilities	**(211,1111,348)**	(37,019,585)
Interim dividends paid	**-**	(24,000,000)
Net cash flows used in financing activities	**(53,539,670)**	(180,529,881)
Net change in cash and cash equivalents balances	**18,739,054**	2,391,057
Cash and cash equivalents as at 01 January,	**26,585,303**	36,088,536
CASH AND CASH EQIVALENTS AS AT JUNE 30	**45,324,357**	38,479,620
SIGNIFICANT NON - CASH TRANSACTION		
Right of use/ lease liability	**133,455,546**	122,852,497
Amortization for lease liability in accrued expenses	**(10,282,995)**	(94,451,012)
Closure Prepayment expenses in the lease liability	**-**	(11,212,621)
Transfer right of use to prepaid expenses	**65,222,376**	-
Transfer of employee benefits obligation to related party	**-**	(1,404,963)

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

1- ORGANIZATION AND ACTIVITY:

Arabian Contracting Services Company (the «Company») is a Saudi Closed Joint Stock registered in Riyadh, Kingdom of Saudi Arabia on 18 Jumada Alula 1403H (corresponding to 2 March 1983) under Commercial Registration No. 1010048419.

The head office of the company located in Olaya Tower, Riyadh city, social insurance tower Building (B) Floor 33.

The main activities of the company and its branches are in the execution of contracting, construction works, purchase of land for the construction of buildings for the company, establishment and equipping exhibitions, road works, maintenance, mechanical works, building works, import, export and wholesale and retail trade in advertising, promotion, printing materials, supplies and equipment of all kinds.

On 02/09/1441H corresponding to 23/04/2020G, Engineer Abdelellah Abdulrahman Saleh Alkhereji sold 2.5 million shares, representing 5% of the shares of the Arabian Contracting Services Company, to MBC Group Holding Ltd, so that his share after the amendment becomes 25% of the capital, the ownership of the shares was transferred on 04/12/1441H corresponding to 24/07/2020G, and the conditions for closing the sale and transferring the ownership of shares were fulfilled on 28/07/2020G.

The company's capital amounting to Saudi Riyal 500 million is divided into 50 million shares, the value of each share is 10 Saudi Riyals. The shareholders and the percentage of their share as at June 30, 2021 are as follows:

Name	Percentage	(Expressed in Saudi Riyal)	Total
		Number of Shares	
Engineer Holding Group Company	70%	35,000,000	350,000,000
Abdelellah Abdulrahman Saleh Alkhereji	25%	12,500,000	125,000,000
MBC Group Holding LTD	5%	2,500,000	25,000,000
Total	**100%**	**50,000,000**	**500,000,000**

The company owns 100% of the shares of the Arabian Out of Home Company (a limited liability company - a free zone - in the United Arab Emirates).

2- BASIS OF PREPARATION:

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

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

Presentation and functional currency

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

2- BASIS OF PREPARATION (Continued):

Basis of consolidation of interim condensed financial statements

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

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

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

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

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

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

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

3- SIGNIFICANT ACCOUNTING OPINIONS, ESTIMATES AND ASSUMPTIONS:

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

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

4- Significant Accounting Policies

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

New Standards, Amendment to Standards and Interpretations

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

5- PROPERTY AND EQUIPMENT, Net

	(Expressed in Saudi Riyal)	
	June 30, 2021	**December 31, 2020**
Cost:		
Balance at the beginning of the period	**274,694,188**	253,157,845
Addition	**38,265,473**	57,987,466
Disposal**	**(43,489,192)**	(36,451,123)
Balance at the ended of the period	**269,470,469**	274,694,188
Depreciation:		
Balance at the beginning of the period	**119,781,288**	128,686,774
Charge for the year	**13,359,308**	25,698,366
Disposal**	**(31,787,486)**	(34,603,852)
Balance at the ended of the period	**101,353,110**	119,781,288
	168,117,359	154,912,900

* The property and equipment, as at June 30, 2021, includes an amount of 49,6 million SR (December 31, 2020: 30,7 million SR) represented in projects under construction, which are road billboards that are being manufactured and the additional value is expected until completion as at June 30, 2021, an amount of SR 20,800,214 (December 31, 2020: SR 16,089,244 SR) (Note 17),

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

Depreciation allocation to expenses:

	(Expressed in Saudi Riyal)	
	June 30, 2021	**December 31, 2020**
Cost of revenue (Note 14)	**12,911,424**	24,657,981
General and administrative expenses	**447,884**	1,040,385
	13,359,308	25,698,366

6- RIGHT OF USE:

The rights of use assets have been measured at an amount equal to the lease obligations and adjusted for the amounts of prepayments and lease payments due related to those lease contracts recognized in the consolidated statement of financial position.

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

	(Expressed in Saudi Riyal)	
	June 30, 2021	December 31, 2020
Right to use		
Balance at as January 01,	**1,409,789,717**	1,149,488,714
Adjustment	**10,922,004**	(4,066,725)
Disposal	**(215,091,445)**	-
Transfer to prepaid balances*	**(65,222,376)**	-
Additions during the period	**133,455,546**	264,367,728
	1,273,853,446	1,409,789,717
Accumulated right of use impairment		
Balance at as January 01,	**(715,411,365)**	(374,414,718)
Adjustment	**14,860,261**	11,382,913
Disposal	**215,091,445**	-
Amortization	**(155,925,671)**	(352,379,560)
Balance at the end of the period	**(641,385,330)**	(715,411,365)
Net right of use	**632,468,116**	694,378,352
Lease liabilities		
Balance at as January 01,	**531,663,659**	493,198,724
Reducing the value of contracts	**10,922,004**	(4,066,725)
Adjustment of financing interest	**(749,552)**	(154,144)
Adjustment of accrued rents	**(10,922,004)**	304,541
Additions during the period	**133,455,546**	264,367,728
	664,369,653	753,650,124
Deduct / added:		
Closure prepaid expenses	**-**	(39,773,995)
Payments during the period / year	**(228,410,500)**	(162,791,355)
Finance expenses	**7,765,709**	14,171,315
Amortization of accrued expenses	**21,204,999**	(33,592,430)
The balance at the end of the period / year	**464,929,861**	531,663,659
Current portion	**213,141,181**	215,408,520
Non-current portion	**251,788,680**	316,255,139
	464,929,861	531,663,659

6- RIGHT OF USE (Continued):

Amortization allocation to expenses:

	(Expressed in Saudi Riyal)	
	June 30, 2021	December 31, 2020
Cost of revenue (Note 14)	**140,132,767**	338,948,687
Selling and marketing expenses	**102,923**	388,521
General and administrative expenses	**829,720**	1,659,439
	141,065,410	340,996,647

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

7- TRADE RECEIVABLES, Net:

	(Expressed in Saudi Riyal)	
	June 30, 2021	December 31, 2020
Trade receivables	**327,124,669**	342,560,770
Trade receivables (related parties)	**9,650,348**	4,159,124
Impairment of trade receivables	**(13,283,264)**	(13,283,264)
	323,491,753	333,436,630
Notes Receivable	**1,281,880**	2,081,880
	324,773,633	335,518,510

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

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

7- TRADE RECEIVABLES, Net (Continued):

The aging schedule of trade receivables as follows:

	Overdue balances without impairment					
	Less than 30 days SR	From 30 days to 90 days SR	From 90 days to 180 days SR	From 180 days to 365 days SR	More than 365 days SR	Total SR
June 30, 2021	**155,258,652**	**84,729,922**	**58,069,159**	**14,112,902**	**11,321,118**	**323,491,753**
December 31, 2020	176,008,424	89,083,600	23,748,149	22,513,254	22,083,203	333,436,630

The credit period granted to customers ranges from 30 to 90 days and no commissions are charged to these accounts, The Company makes impairment of trade receivables taking into consideration several factors including the age of the receivables and the consolidated financial position of the customers where available, Concentrations of credit risk are limited because the customer base is large and the customer is not linked, no clients account for more than 10% of the total balance of trade receivables.

8- BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

During the year, the Company has transactions with the related parties described below. The terms of these transactions and expenses have been approved by the Company›s management and are similar to normal course of business transaction of the company. The transactions registered below were carried out with the following entities:

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

8- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued):

Related party	Nature of transaction	(Expressed in Saudi Riyal)	
		June 30, 2021	December 31, 2020
National Signage Industrial Company	Advance payments for business	**18,320,939**	9,296,416
MBC Holding Group Ltd.	Revenue	**10,245,903**	2,832,942
National Signage Industrial Company	Payment for Billboards	**7,661,868**	5,291,633
National Signage Industrial Company	Revenue	**188,089**	313,970
Skill of House for Contracting and Trading Company	Advance payments for business	**13,266**	36,230
Elegant hotel company	Revenue	**12,440**	309,374
Multaka Al Zad Company for tourim	Revenue	**11,156**	670,929
Engineer Holding Company	Collection on behalf the company	**816,065**	-
Multaka Al Zad Company for tourim	collections	-	72,728
Engineer Holding Company	Transferred end of service	-	1,405,066
Engineer Holding Company	Dividend	-	24,000,000
Saudi Media company	Revenue	-	60,559
Elegant Restaurant Company	Revenue	-	75,879
Elegant Restaurant Company	collections	-	42,349
Elegant hotel company	collections	-	9,148

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

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

	(Expressed in Saudi Riyal)	
	June 30, 2021	June 30, 2020
Employees benifits obligation	**4,046,733**	7,902,274

Key management includes members of the board of directors, chief executive officer, chief financial officer, and executives as persons who have the authority and responsibility to plan, direct, and control the company›s activities.

The amounts due from related parties is as follows:

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

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

9- PREPAYMENT AND OTHER DEBIT BALANCES:

	(Expressed in Saudi Riyal)	
	June 30, 2021	December 31, 2020
Prepaid rent locations of billboards	**205,213,081**	33,441,893
Prepaid expenses and other debit balances	**40,252,915**	16,261,675
Advances to suppliers	**22,755,739**	6,181,887
Value added tax	**19,112,681**	-
Advances to suppliers (Related Parties)	**11,333,858**	9,325,101
Employee receivable	**1,691,402**	1,920,060
Cash margin of bank guarantees and letter of credits	**1,424,227**	1,674,227
Others	**726,622**	306,759
	302,510,525	69,111,602

10- LOANS

The company obtained banking facilities in the form of short-term loans and letters of guarantee from local commercial banks the utilized part of those loans amounted to 298 Million Saudi riyals as at June 30, 2021 (December 2020: 132 Million Saudi riyals). These loans are subject to the interest rates prevailing in the Saudi banks plus an agreed profit margin.

The book value of the short and medium-term loans is denominated in Saudi riyals and is secured by personal guarantees from a shareholder in the company and a promissory note payable on demand.

11- ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	(Expressed in Saudi Riyal)	
	June 30, 2021	December 31, 2020
Accrued rent menucpility	**69,167,651**	44,134,426
Accrued discount to customers	**26,349,259**	31,221,410
Advances payments from customers	**6,912,043**	1,271,320
Accrued Commission	**6,600,463**	2,212,277
Other credit balances	**5,544,218**	7,385,897
Unearned revenue	**753,503**	1,739,520
Value added tax	**-**	9,935,737
Other	**298,281**	312,642
	115,625,418	98,213,229

12- ZAKAT:

Status of certificates and assessments:

The company submitted its zakat declaration until the fiscal year ended on 31/12/2020 and obtained a certificate from the Authority for Zakat, Tax and customs.

The company also completed zakat assessments for all years until 2017, the company received a zakat assessment for the fiscal year 2018, with a total zakat differences amounting to (3,465,252 Saudi riyals), and the company objected to the amount of the differences, as it was issued by the Authority for Zakat, Tax and Customs Notice of rejection of the objection on 28/01/2021, the objection to linking the Zakat Authority to the General Secretariat of Tax Committees was submitted on February 15, 2021.

The movement in Zakat provision is as follows:

	(Expressed in Saudi Riyal)	
	June 30, 2021	**December 31, 2020**
Balance on January 01,	**6,862,683**	8,774,296
Charged for the period / year	**3,930,445**	5,300,925
Paid during the period / year	**(6,862,683)**	(7,212,538)
Balance at period / Year end	**3,930,445**	6,862,683

13- REVENUE:

	(Expressed in Saudi Riyal)			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2021	**2020**	**2021**	**2020**
Outdoor advertisements	**148,271,085**	29,087,691	**290,014,079**	205,646,064
Indoor advertisements	**6,207,483**	484,195	**10,362,033**	3,135,726
Printing	**3,049,641**	3,356,755	**5,732,408**	5,608,061
	157,528,209	32,928,641	**306,108,520**	214,389,851

14- COST OF REVENUE:

	(Expressed in Saudi Riyal)			
	Three-month period ended June 30,		Six-month period ended June 30,	
	2021	2020	2021	2020
Amortization of right of use (Note 6)	**56,825,891**	91,149,278	**140,132,767**	170,611,165
Depreciation (Note 5)	**6,488,666**	5,932,565	**12,911,424**	12,247,260
Cost of raw materials and other	**5,513,818**	3,837,809	**11,748,160**	9,387,768
Salaries, wages and other benefits	**2,624,369**	2,047,066	**5,118,344**	5,014,860
	71,452,744	102,966,718	**169,910,695**	197,261,053

15- DIVIDENDS:

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

16- EARNINGS PER SHARE:

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

17- CONTINGENT LIABILITIES:

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

	(Expressed in Saudi Riyal)	
	June 30, 2021	December 31, 2020
Letters of Guarantee *	**176,755,600**	155,708,100
Letters of credit	**5,265,323**	6,297,316

* Letters of guarantee and documentary credits correspond to cash margin deposited with banks as on June 30, 2021, amounting to 1,424,227 Saudi riyals. (December 31, 2020: 1,674,227 Saudi riyals).

* There are obligations related to projects under construction and the expected completion value as on June 30, 2021 amounts to: 20,800,214 Saudi riyals (December 31, 2020: 16,089,244 Saudi riyals).

18- FINANCIAL INSTRUMENTS:

Financial instruments included in the consolidated statement of financial position include mainly cash, bank balances, trade receivables and other debit balances, payables, certain outstanding liabilities, other credit balances and short-term bank loans.

Fair value

Fair value is the amount at which an asset is exchanged, or a liability settled between knowledgeable and willing parties on fair terms. As the financial instruments of the Company are recognized in accordance with the historical cost convention, there are differences between carrying amounts and fair value estimates, Management believes that the fair values of the Company›s assets and liabilities are not materially different from their carrying values.

19- OPERATING SECTORS:

The sector is a separate and distinct part of the company that engages in business activities that result in revenue earning or incurring expenses. The operating sectors are disclosed on the basis of internal reports that are reviewed by the main operational decision-maker and is the person responsible for allocating resources, assessing performance, and making strategic decisions about operational sectors. The operating sectors in which similar economic features and similar products, services, and customer groups emerge are grouped and recorded where possible as reported sectors.

The company has one operating sector represented in the subsidiaries of advertising services in the Kingdom of Saudi Arabia and abroad.

20- SIGNIFICANT EVENTS:

On June 28, 2021, the Capital Market Authority issued a decision approving the request of the Arabian Contracting Services company to offer 15,000,000 million shares for Initial Public Offers, representing 30% of the company›s shares.

21- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The interim condensed consolidated financial statements were approved by the Board of Directors in Moharram 10, 1443 AH corresponding to August 18, 2021 AD.


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