

**ARABIAN INTERNET AND COMMUNICATION SERVICES
COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2023**

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2023

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821

Tel: +966 11 215 9898

+966 11 273 4740

Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com

**Independent auditor's review report on the interim condensed consolidated financial statements
To the Shareholders of Arabian Internet and Communication Services Company
(A Saudi Joint Stock company)**

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabian Internet and Communication Services Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2023, and the related interim condensed consolidated statement of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Board of directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. (366)

Riyadh: 12 Muharram 1445H
(30 July 2023)



ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Three –months period ended 30 June		Six –months period ended 30 June	
		2023	2022	2023	2022
Revenue	4,13	2,701,289	2,085,151	5,377,561	4,328,055
Cost of revenue		(1,969,621)	(1,580,113)	(4,039,733)	(3,329,485)
GROSS PROFIT		731,668	505,038	1,337,828	998,570
General and administration expenses		(183,762)	(142,028)	(329,525)	(262,445)
Selling and distribution expenses		(160,652)	(69,487)	(264,081)	(129,657)
OPERATING PROFIT		387,254	293,523	744,222	606,468
Finance income		36,294	6,871	74,871	11,029
Finance cost		(25,932)	-	(41,481)	(922)
Share in results from an equity accounted investee	7	(175)	-	133	-
Other expenses, net		(4,088)	(270)	(33,516)	-
PROFIT BEFORE ZAKAT AND TAX		393,353	300,124	744,229	616,575
Zakat and tax charge	9	(51,644)	(27,031)	(99,623)	(60,571)
NET PROFIT FOR THE PERIOD		341,709	273,093	644,606	556,004
NET PROFIT ATTRIBUTABLE TO:					
Equity holders of the Parent Company		339,685	273,093	643,495	556,004
Non-controlling interests		2,024	-	1,111	-
		341,709	273,093	644,606	556,004
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY:					
Basic	18	2.86	2.30	5.41	4.68
Diluted	18	2.83	2.28	5.36	4.63



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 23 form an integral part of these interim consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Three –months period ended 30 June		Six –months period ended 30 June	
		2023	2022	2023	2022
NET PROFIT FOR THE PERIOD		341,709	273,093	644,606	556,004
OTHER COMPREHENSIVE INCOME/ (LOSS)					
<i>Item that will not be reclassified subsequently to the profit or loss:</i>					
Re-measurement of end of service indemnities	10	(2,704)	26,216	(23,065)	(1,458)
<i>Item that may be reclassified subsequently to the profit or loss:</i>					
Foreign currency translation differences		12,373	-	(55,806)	-
TOTAL OTHER COMPREHENSIVE INCOME/ (LOSS)		9,669	26,216	(78,871)	(1,458)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		351,378	299,309	565,735	554,546
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		348,804	299,309	568,518	554,546
Non-controlling interests		2,574	-	(2,783)	-
		351,378	299,309	565,735	554,546



Chief Financial Officer



Chief Executive Officer




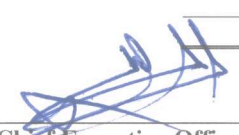

Authorized Board Member

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ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,232,990	543,976
Short term murabaha	5	1,401,600	2,700,800
Accounts receivable		4,025,987	4,344,696
Prepayments and other assets		477,967	194,780
Contract assets	6	1,819,669	1,276,580
Inventories		211,799	322,437
TOTAL CURRENT ASSETS		9,170,012	9,383,269
NON-CURRENT ASSETS			
Other non-current assets	7	12,878	12,377
Intangible assets and goodwill	1	657,574	415,415
Property and equipment		429,882	473,053
Right-of-use assets		56,830	40,970
TOTAL NON-CURRENT ASSETS		1,157,164	941,815
TOTAL ASSETS		10,327,176	10,325,084
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable, accruals and other liabilities		2,658,031	2,623,090
Deferred revenue		3,034,033	3,265,701
Contract liabilities		539,399	487,785
Zakat and income tax payable	9	136,935	135,882
Bank overdraft and borrowings	11	229,700	194,388
TOTAL CURRENT LIABILITIES		6,598,098	6,706,846
NON-CURRENT LIABILITIES			
Lease liabilities	8	7,418	15,846
End of service indemnities	10	399,637	260,822
Borrowings	11	507,292	502,014
TOTAL NON-CURRENT LIABILITIES		914,347	778,682
TOTAL LIABILITIES		7,512,445	7,485,528
EQUITY			
Share capital	16	1,200,000	1,200,000
Statutory reserve		308,758	308,758
Other reserves		(47,335)	24,850
Treasury shares	17	(154,444)	(155,973)
Retained earnings		1,480,859	1,432,245
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		2,787,838	2,809,880
Non-controlling interests		26,893	29,676
TOTAL EQUITY		2,814,731	2,839,556
TOTAL LIABILITIES AND EQUITY		10,327,176	10,325,084
			
Chief Financial Officer		Chief Executive Officer	Authorized Board Member

The accompanying notes 1 to 23 form an integral part of these interim consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Total equity attributable to the equity holders of the Parent Company					
	Share capital	Statutory reserve	Other reserves	Retained earnings	Treasury Shares	
Balance as at 1 January 2023	1,200,000	308,758	24,850	1,432,245	(155,973)	2,809,880
Net profit for the period	-	-	-	643,495	-	643,495
Other comprehensive loss for the period	-	-	(74,977)	-	-	(74,977)
Total comprehensive income	-	-	(74,977)	643,495	-	568,518
Dividends (note 16)	-	-	-	(594,881)	-	(594,881)
Share based payments	-	-	2,792	-	1,529	4,321
Balance as at 30 June 2023	1,200,000	308,758	(47,335)	1,480,859	(154,444)	2,787,838
Balance as at 1 January 2022	1,200,000	203,471	88,434	959,863	(181,200)	2,270,568
Net profit for the period	-	-	-	556,004	-	556,004
Other comprehensive loss for the period	-	-	(1,458)	-	-	(1,458)
Total comprehensive income	-	-	(1,458)	556,004	-	554,546
Dividends (note 16)	-	-	-	(475,200)	-	(475,200)
Share based payments	-	-	17,059	-	-	17,059
Balance as at 30 June 2022	1,200,000	203,471	104,035	1,040,667	(181,200)	2,366,973



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Six –months period ended 30 June 2023	Six –months period ended 30 June 2022
OPERATING ACTIVITIES		
Net profit before zakat and tax	744,229	616,575
Adjustments for:		
Depreciation, and amortization - property and equipment and intangibles	116,557	102,570
Depreciation - right of use assets	13,603	8,663
Allowances of bad debts of accounts receivables and contract assets	117,190	13,977
End of service indemnities expense	38,060	30,916
Share based payment expense	4,321	17,059
Unrealised exchange losses	7,525	-
Provision for slow moving and obsolete inventories	2,489	5,435
Share in results from an equity accounted investee	(133)	-
Finance charges	41,481	922
Finance income	(74,871)	(11,029)
	1,010,451	785,088
Changes in operating assets and liabilities:		
Accounts receivable	328,047	(434,251)
Prepayments and other assets	(215,137)	130,294
Contract assets	(327,665)	(297,936)
Inventories	108,149	206,028
Accounts payable, accruals and other liabilities	(153,958)	85,603
Deferred revenue	(276,041)	96,763
Contract liabilities	51,615	150,806
Cash flows generated from operating activities	525,461	722,395
Zakat and income taxes paid	(99,014)	(63,430)
End of service indemnities paid	(18,179)	(25,109)
Finance income received	75,914	10,047
Finance cost paid	(40,884)	-
Net cash flow generated from operating activities	443,298	643,903
INVESTING ACTIVITY		
Purchase of property, equipment and intangible assets	(47,359)	(43,168)
Short term murabaha, net	1,298,157	-
Acquisition of a subsidiary, net of cash acquired	(414,889)	-
Net cash generated from / (used in) investing activity	835,909	(43,168)
FINANCING ACTIVITIES		
Lease liabilities payments	(17,071)	(12,552)
Dividends paid	(594,881)	(475,200)
Bank overdraft and borrowings	40,214	498,750
Net cash (used in) /generated from financing activities	(571,738)	10,998
Net increase in cash and cash equivalents	707,469	611,733
Cash and cash equivalents at the beginning of the period	543,976	1,607,557
Net foreign exchange difference from foreign operations	(18,455)	-
Cash and cash equivalents at the end of the period	1,232,990	2,219,290


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 23 form an integral part of these interim consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES

Arabian Internet and Communication Services Company (“the Company”) is a Saudi Joint Stock Company registered in Saudi Arabia under commercial registration numbered 1010183482 and dated 8 Dhul-Qadah 1423H (corresponding to 11 January 2003). The registered office is located at Riyadh, Olaya street, P.O. Box 50, Riyadh 11372, Kingdom of Saudi Arabia (“KSA”). During December 2020, the Company changed its legal form from a limited liability company to a Saudi Closed Joint Stock Company. During September 2021, the Company has completed its initial public offering and its share was traded on September 30, 2021.

The Company is 79% owned by Saudi Telecom Company (“STC”) (31 December 2022: 79%). The parent of STC is Public Investment Fund (“PIF”) which owns 64% (31 December 2022: 64%) of its ordinary shares and is based in Kingdom of Saudi Arabia.

The main activities and business of the Company and its subsidiaries (collectively referred to as the “Group”) comprise of the followings,

- Engaged in the extension, installation, managing and monitoring of computer networks, wiring and communications.
- Repair and maintenance of engines, systems, and fixed and portable data storage devices.
- Road repair, maintenance and supplies.
- Security devices installation and maintenance.
- Wholesale and retail of security devices, cyber security and systems analysis.
- Design and programming of special software and applications development.
- Senior management advisory services.
- Environmental activities including advisory, testing, and measuring environmental indicators and operating air laboratories, installation, repair, maintenance and environmental monitoring and control operation of continuous and discontinuous systems including the import and wholesale of environmental monitoring and control systems.
- Carrying out all kinds of manufacturing and assembling works in addition to operating and maintenance works; engineering consultations; designing computer systems and accessories; Xerox machines; graphic machines; automatic control devices; wire and wireless communication devices as well as spare parts, equipment and supplies required for operating and maintaining the aforementioned devices, machines and equipment.
- Selling and marketing computer software and electronic hardware; electronic devices; spare parts; supplies and necessary accessories of all types as well as leasing and maintaining such devices for the benefit of the company or operating the said devices for the benefit of third parties.
- Conducting amendment and development operations on the computer software and hardware units and providing integrated solutions.
- Designing, supplying, installing and maintaining security systems in various facilities, alarm systems, automatic firefighting systems, circuit breaker systems and communication devices that enable remote desktop connection or that connect computers networks.
- Designing, supplying, installing and maintaining the Optical Ground Wire (OPGW) grids, electricity transmission lines, power transformation stations, generators and auxiliary plants.
- Supplying, installing and maintenance educational laboratories (electric- electronic-mechanical).
- Designing engineering and scientific systems for computers and providing engineering consultations, implementing integrated projects within the scope of the abovementioned activities.
- Undertaking marketing and trading activities within the purpose of the Company.
- Designing, supplying, installing, operating, establishing and maintaining the grids, stations and booster pumping stations for potable water, wastewater as well as gas and fuel grids.
- Carrying out all the electromechanical and electronic works in addition to providing communication networks. Conducting exporting activities.
- The Group may have an interest or participate in any manner with companies and other entities practicing similar activities or that may assist the Company in achieving its purpose in Egypt or abroad. The Company may also merge into the said entities, purchase them or affiliate them thereto according to the provisions of law and its executive regulations.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ACTIVITIES (continued)

The following are the details of the subsidiaries included in these interim condensed consolidated financial statements:

Subsidiaries	Country of incorporation	Major activities	Ownership %	
			30 June 2023	31 December 2022
Saudi Telecom Company Solution for Information Technology (Owned by One Person)	Egypt	Information technology and communication	100%	100%
Sanad AlTeqany For Commercial Services Company (Owned by One Person)	Saudi Arabia	Outsourcing services	100%	100%
Giza Systems Company	Egypt	Information technology and system & application integration	88.19%	88.19%
Contact Center Company (*)	Saudi Arabia	Call centers service Provider	100%	-

(*) Acquisition of a subsidiary – Contact Center Company (“CCC”)

On 12 Ramadan 1444 H, (Corresponding to 3 April 2023) the Company acquired 100% of the equity interest in Contact Center Company (referred as “CCC”) for SR 513.5 million. CCC is engaged in providing services related to submission of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology. During the three month period ended 30 June 2023, a provisional goodwill of SR 289.9 million resulted from CCC acquisition until the completion of the reports on the fair value allocation of the net assets

The following table summarizes the recognized amounts at net book value of the assets acquired, and liabilities assumed at the date of acquisition:

	Acquisition Date
Assets acquired	
Contract assets	214,938
Accounts receivable	126,530
Cash and cash equivalents	98,617
Prepayments and other assets	68,050
Right-of-use assets	28,717
Intangible assets	14,213
Property and equipment	7,589
Total assets	558,654
Liabilities assumed	
Accounts payable and accruals	178,062
End of service indemnities	95,870
Contract liabilities	44,373
Zakat and income tax provision	16,703
Total liabilities	335,008
Net assets as at acquisition date	223,646
Provisional goodwill arising from the acquisition	289,860
Total purchase consideration	513,506

Acquisition related costs of SR 6.3 million is expensed to the interim condensed consolidated statement of profit or loss and classified under general and administration expenses.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

The interim consolidated financial statements are prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” that is endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Basis of measurement and functional currency

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the Company’s functional currency.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022.

There are amendments to the standards that could be applicable to the Group and come into effect at 1 January 2023, but they do not have any material impact on the Group interim condensed consolidated financial statements.

Amendments and interpretations
IFRS 17: Insurance Contracts
Amendments to IAS 8: Definition of Accounting Estimates
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group’s interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual consolidated financial statements.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

4. REVENUE

The following is the analysis of the Group's revenue:

	Three-month period ended		Six-month period ended	
	30 June		30 June	
	2023	2022	2023	2022
Core ICT Services	1,377,277	1,068,273	2,936,208	2,392,355
IT Managed and Operational Services	825,270	586,290	1,499,690	1,115,487
Digital Services	498,742	430,588	941,663	820,213
	2,701,289	2,085,151	5,377,561	4,328,055
Type of customers				
Sell through STC and sell to direct customers (STC is not the end customer)	1,807,534	1,479,173	3,635,988	2,829,143
Sell to STC (STC is the end customer)	893,755	605,978	1,741,573	1,498,912
	2,701,289	2,085,151	5,377,561	4,328,055
Timing of revenue recognition				
Goods or services transferred to customers:				
- over time	2,384,381	1,965,663	4,780,603	4,071,629
- at a point in time	316,908	119,488	596,958	256,426
	2,701,289	2,085,151	5,377,561	4,328,055
Principal vs Agent				
Revenue as principal	2,560,897	1,915,831	4,967,709	3,983,506
Revenue as agent	140,392	169,320	409,852	344,549
	2,701,289	2,085,151	5,377,561	4,328,055

5. SHORT TERM MURABAHA

These represent the murabaha deposits placed with various local banks carry a profit rate of 5.6% to 5.9% (31 December 2022: 3.1% to 5.4%) per annum. The maturity date for all these deposits are more than three months and less than one year.

6. CONTRACT ASSETS

	30 June 2023	31 December 2022
Gross contract assets	1,864,101	1,308,384
Allowance for impairment	(44,432)	(31,804)
	1,819,669	1,276,580

The movements in the allowance for impairment related to contract assets for the six-months period ended 30 June were as follows:

	2023	2022
Balance as at 1 January	31,804	7,851
Charge for the period	12,628	21,756
Balance as at 30 June	44,432	29,607

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

7. OTHER NON-CURRENT ASSETS

	<i>Notes</i>	30 June 2023	31 December 2022
Contract costs	7.1	7,392	7,879
Investment in an equity accounted investee	7.2	3,443	4,078
Deferred tax assets, net	7.3	2,043	420
		12,878	12,377

7.1 This represents the cost to fulfil a contract capitalized under IFRS 15 which will be subsequently amortized to consolidated profit or loss.

7.2 This represents the following investment in associate that has been accounted for under the equity method of accounting:

The movement of investment in associate Giza Systems Company for Electromechanical Contracting (GSEC) is as follows:

	2023
Balance as at 1 January 2023	4,078
Share of result during the period	133
Currency translation	(768)
Balance as at 30 June 2023	3,443

7.3 This represents deferred tax resulted from deductible temporary differences of tax.

8. LEASE LIABILITIES

Following is the maturity analysis of undiscounted cash flows relating to leases payments:

Maturity analysis of undiscounted cash flows	30 June 2023	31 December 2022
Less than one year	55,072	31,858
More than one year	8,206	16,908
Total undiscounted liabilities	63,278	48,766

Following is the presentation of discounted lease liabilities in the interim condensed consolidated statement of financial position.

	30 June 2023	31 December 2022
Current portion (included as part of accounts payable, accruals and other liabilities)	50,955	27,759
Non-current portion	7,418	15,846
	58,373	43,605

9. ZAKAT AND INCOME TAX

For the years up to 2008, the Company filed its Zakat returns separately based on its own financial statements and has obtained final assessments with ZATCA for the years till 2008.

For the years, 2009 to 2020, the Company filed its Zakat through the Parent Company, as part of the consolidated Zakat return of the Parent Company, where the Parent company is liable for any assessments provided by ZATCA for the years from 2009 to 2020.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. ZAKAT AND INCOME TAX (continued)

Effective 1 January 2021, and based on approval from ZATCA, the Company started filing its Zakat returns separately, and as a result, it calculates and records zakat provision based on the zakat base of its own financial statements, in accordance with the requirements of ZATCA. Zakat assessment for the year 2021 and 2022 have not been received from ZATCA.

The Group's Zakat provision for the three-month and six-month periods ended 30 June 2023 amounted to SR 41.4 million and SR 81 million respectively (30 June 2022: SR 27 million and SR 60 million respectively) and is charged to the interim condensed consolidated statement of profit or loss.

The Group's Income tax for the three-month and six-month periods ended 30 June 2023 amounted to SR 10.3 million and SR 18.6 million respectively (30 June 2022: SR Nil) and is charged to the interim condensed consolidated statement of profit or loss.

10. END OF SERVICE INDEMNITIES

Calculation of end of service benefits provision as at 30 June 2023 is determined using the most recent actuarial valuation. Further, the Group has recorded a net actuarial loss of SR 23 million for the six-month period ended 30 June 2023 (2022: loss of SR 1.5 million) and loss of SR 2.7 million for the three-month period ended 30 June 2023 (2022: gain of SR 26 million) in the interim condensed consolidated statement of comprehensive income.

11. BORROWINGS

	30 June 2023	31 December 2022
Bank overdrafts (note 11.1)	203,891	178,967
Others (note 11.2)	25,809	15,421
Total	229,700	194,388
Long term loans		
Long term loan (note 11.3)	499,002	498,878
Long term loan (note 11.4)	8,290	3,136
Total	507,292	502,014

11.1 This represents the unsecured overdraft obtained by Giza Group in multiple currencies. The interest rate on USD currency is from 8% to 8.75% annually, interest rate on SR is 13.75% annually, interest rate on Euro is 8.25% annually, while the interest rate on EGP currency is from 20.25% to 21.25% annually. These overdrafts have multiple date of borrowings and multiple date of settlement. These overdraft balances cannot be legally offset with the cash and cash equivalents.

11.2 This represents the sale and lease back arrangements and short term loan for the subsidiaries.

11.3 In 2022, the Group entered into a renewal with amendment of an Islamic Sharia compliant facilities arrangement with a local bank amounting to SR 1 billion. The facilities consist of a new facility with a limit of SR 500 million to finance the strategic growth of the Group and a facility with a limit of SR 500 million for multi-purpose. The facility amounting to SR 500 million was withdrawn in June 2022, the principal is repayable in one instalment due in June 2027, and interest is payable based on semi-annual basis. The facility is secured against a promissory note signed by the Group.

11.4 This represents a secured loan in USD. The interest rate on this loan is 10% annually.

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12. RELATED PARTY INFORMATION

Related parties comprise of the Parent Company and entities which are controlled directly or indirectly or influenced by Saudi Telecom Company ("STC"), and also directors or key management personnel. In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group's management or its Board of Directors.

The Group's immediate and ultimate controlling party is Saudi Telecom Company ("STC"), a listed company incorporated in the Kingdom of Saudi Arabia.

During the three and six-months periods 30 June, the Group entered into the following significant transactions with STC and its subsidiaries:

	Three-month period ended		Six-month period ended	
	30 June		30 June	
	2023	2022	2023	2022
Sales of goods and services (STC) (a)	1,837,321	1,645,839	3,586,103	3,477,434
Sales of goods and services (STC subsidiaries)	78,178	42,099	147,613	86,071
Purchases (STC)	116,361	106,112	209,546	180,725
Long term incentive expense charged by STC	311	375	509	615

- (a) Sales of goods and services to STC for the six months period ended 30 June 2023 includes SR 1,845 million (30 Jun 2022: SR 1,979 million) for which Parent Company is not the end customer.
- (b) Revenue related to direct transactions with government and government related entities for the six months period ended 30 June 2023 is SR 785 million (30 June 2022: SR 756 million).

The following balances were outstanding with related parties at the reporting date:

	30 June 2023	31 December 2022
STC:		
Accounts receivable: gross	2,305,511	2,441,803
Contract assets	762,832	627,912
Other assets: receivables	80,694	8,047
Deferred revenue	(2,473,859)	(2,648,834)
Contract liabilities	(394,735)	(333,027)
Accrued expenses	(265,319)	(175,667)
Amounts due to	(45,414)	(223,566)
STC subsidiaries:		
Accounts receivable: gross	230,684	142,699
Contract assets	73,807	64,170
Deferred revenue	(74,511)	(40,260)
Contract liabilities	(994)	(890)
Amounts due to	(50,167)	(58,326)

The receivable amounts outstanding are unsecured and will be settled in cash or adjusted with payable balance. No guarantees have been given or received.

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13. SEGMENT INFORMATION

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker ("CODM") and used to allocate resources to the segments and to assess their performance.

The Group is engaged in Information Communication and Technology (ICT) services and some other related services and products. Majority of the Group's revenues, income and assets relate to its operations within the Kingdom. Outside of the Kingdom, the Group operates through its subsidiaries. Revenue is distributed to an operating segment based on the entity of the Group. Sales between segments are calculated at normal business transaction prices.

The disclosed operating segments exceeded the 75% of total external Group revenue threshold and therefore all other operating segments are combined and disclosed as "Other segments"

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023	2022	2023	2022
Solution by STC	2,161,483	2,085,151	4,547,511	4,328,055
Giza Group	382,535	-	682,775	-
Other segments	225,836	3,157	225,836	5,759
Elimination	(68,565)	(3,157)	(78,561)	(5,759)
Total revenue (note 4)	2,701,289	2,085,151	5,377,561	4,328,055
Total cost of revenue	(1,969,621)	(1,580,113)	(4,039,733)	(3,329,485)
Total operating expenses	(344,414)	(211,515)	(593,606)	(392,102)
Total non-operating income	6,099	6,601	7	10,107
Zakat and tax charge (note 9)	(51,644)	(27,031)	(99,623)	(60,571)
Net profit for the period	341,709	273,093	644,606	556,004
Net profit for Equity holders of the Parent Company	339,685	273,093	643,495	556,004
Net profit for non-controlling interests	2,024	-	1,111	-
Total net profit	341,709	273,093	644,606	556,004

Following is the gross profit analysis on a segment basis for the three- and six-months period ended 30 June:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023	2022	2023	2022
Solution by STC	602,325	501,761	1,139,448	995,638
Giza Group	94,949	-	168,594	-
Other segments	42,001	3,277	41,789	3,111
Elimination	(7,607)	-	(12,003)	(179)
Total gross profit	731,668	505,038	1,337,828	998,570

14. CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

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15. CONTINGENT LIABILITIES

	30 June 2023	31 December 2022
Letters of guarantee and credit	625,751	394,673

The above letters of guarantees and letter of credit were issued under a multi-purpose banking facility of SR 698 million (31 December 2022: SR 501 million).

The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims; however, adequate provision has been provided. Moreover, these matters are not expected to have any material impact on the Group's financial position or on the results of its operations as reflected in these interim condensed consolidated financial statements.

16. SHARE CAPITAL AND DIVIDENDS

Authorized, issued and fully paid capital comprises:	30 June 2023	31 December 2022
120 million fully paid ordinary shares at SR 10 each	1,200,000	1,200,000

The Board of Directors proposed a dividend payment of SR 5 per share, totaling to SR 594.9 million (31 December 2022: SR 4 per share, totaling to SR 475.2 million). The dividends proposed in current reporting period were approved by the shareholders at the ordinary general assembly meeting held on 19 Shawwal 1444 H (corresponding to 9 May 2023). The dividend was paid on 28 May 2023.

17. TREASURY SHARES AND LONG-TERM INCENTIVES PLAN

On 29 September 2021, the Company purchased 1.2 million of its own shares from the Parent Company at cost SR 151 per share, for cash consideration of SR 181 million. These shares are maintained by the Company as treasury shares in order to support its future employees long term incentive plans. The Program intends to attract, motivate and retain employees responsible for the achievement of the Group's goals and strategy. The Program provides a share-based payment plan for eligible employees participating in the Program by granting them shares in the Company upon completing the duration of service and performance requirements and achieving the targets determined by the Group. The program is generally equity-settled.

The following is the movement in number of treasury shares during the period/year:

	30 June 2023	31 December 2022
Outstanding shares as at 1 January	1,032,933	1,200,000
Treasury shares re-issued	(10,126)	(167,067)
Treasury shares as at reporting date	1,022,807	1,032,933

18. EARNINGS PER SHARE

	Three-month period ended		Six-month period ended	
	30 June		30 June	
	2023	2022	2023	2022
Net profit for the period attributable to equity holders of the Parent Company	339,685	273,093	643,495	556,004
Weighted average number of shares for the purpose of basic earnings	118,974	118,800	118,971	118,800
Weighted average number of shares for the purpose of diluted earnings	120,000	120,000	120,000	120,000
Basic Earnings per share (in Saudi Riyals)	2.86	2.30	5.41	4.68
Diluted Earnings per share (in Saudi Riyals)	2.83	2.28	5.36	4.63

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19. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy:

30 June 2023

<i>Financial assets</i>		<i>Carrying amount</i>	<i>Fair value level</i>
Cash and cash equivalents and short term murabaha	Amortized Cost	2,634,590	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	6,137,905	N/A
<i>Financial liabilities</i>			
Accounts payable, accruals and other liabilities	Amortized Cost	2,658,031	N/A
Borrowings	Amortized Cost	736,992	N/A

31 December 2022

<i>Financial assets</i>		<i>Carrying amount</i>	<i>Fair value level</i>
Cash and cash equivalents and short term murabaha	Amortized Cost	3,244,776	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	5,739,872	N/A
<i>Financial liabilities</i>			
Accounts payable, accruals and other liabilities	Amortized Cost	2,623,090	N/A
Borrowings	Amortized Cost	696,402	N/A

20. COMPARATIVES

Certain comparative figures have been reclassified to conform with the classification used for the three and six month periods ended 30 June 2023.

(a) Update to the accounting treatment of software reselling agreements:

At year-end 2022, the Group has updated the accounting treatment related to some software reselling agreements, which resulted in considering these contracts as an agent and showing them in net. The reclassification has no impact on previously disclosed net income, financial position or cash flow:

	Six-months period ended 30 June 2022 as previously reported	Reclassification	Six-months period ended 30 June 2022 as reclassified
Revenue	4,672,948	(344,893)	4,328,055
Cost of revenue	(3,674,378)	344,893	(3,329,485)
Gross profit	<u>998,570</u>	<u>-</u>	<u>998,570</u>
	Three-months period ended 30 June 2022 as previously reported	Reclassification	Three-months period ended 30 June 2022 as reclassified
Revenue	2,254,471	(169,320)	2,085,151
Cost of revenue	(1,749,433)	169,320	(1,580,113)
Gross profit	<u>505,038</u>	<u>-</u>	<u>505,038</u>

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20. COMPARATIVES (continued)

(b) Measurement period adjustments:

During October 2022, the Company acquired 88.19% and 34% of the equity interest in Giza Systems Company ("Giza Systems") and Giza Arabia Systems Company LLC respectively (together referred as "Giza Group"). Details of this acquisition including fair values of the identifiable assets acquired and liabilities assumed on acquisition were disclosed in Note 1 of the Company's annual consolidated financial statements for the year ended 31 December 2022.

During the period, the Company recognized a liability amounting to SR 26.2 million, which is payable to the shareholders of Giza Systems as a result of acquisition. The payable amount was assessed to be the part of business combination, as a result the purchase consideration was increased by the same amount.

The following summarise the changes in the comparative period numbers as reported in the audited financial statement for the year ended 31 December 2022:

	31 December 2022 as previously reported	Measurement period adjustment / reclassification	31 December 2022 revised
Intangible assets and Goodwill	372,668	42,747	415,415
Accounts payable and accruals	2,572,575	50,515	2,623,090
Other Reserve	9,138	15,712	24,850
Non-controlling interest	28,890	786	29,676
Provision for tax	24,265	(24,265)	-

21. EVENTS AFTER THE REPORTING DATE

Subsequent to the period ended 30 June 2023, the Company's Board of directors approved to provide Murabaha Facility amounting to SR 233 million to its Subsidiary ("Giza Arabia"). The profit is payable on semi-annual basis at SIBOR plus profit margin.

In addition to above, no other events have arisen subsequent to 30 June 2023 and before the issuance of the interim condensed consolidated financial statements could have a significant effect on the interim condensed consolidated financial statements as at 30 June 2023.

22. SIGNIFICANT EVENT

The Group announced on 28 Duh Al-Qi'dah 1444H (corresponding to 17 June 2023) the signing of a binding offer with Devoteam SAS (France) and ORTLL Investment Limited to acquire 40% ownership in Devoteam Middle East ("DME") a specialized firm offering digital consultancy and transformation services. DME is present in the Middle East and its business is mainly concentrated in the Kingdom of Saudi Arabia.

23. APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements for the three-months period ended 30 June 2023 were approved by the audit committee (delegated by the Company's Board of Directors) at its meeting held on 12th Muharram 1445H (corresponding to 30 July 2023).