

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30
SEPTEMBER 2022**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2022

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**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 – a Saudi Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”) as at 30 September 2022, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, for the three and nine months periods ended 30 September 2022, interim condensed consolidated statement of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is 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”) endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

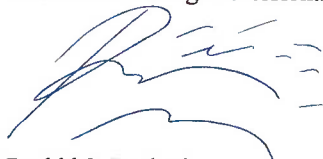
Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to 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 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services



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

Riyadh: 2 Rabi Al-Thani 1444H
(27 October 2022)



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2022	2021	2022	2021
Revenue, net	4,12	2,227,187,646	1,951,460,823	6,900,135,960	5,755,453,803
Cost of revenue		(1,728,222,976)	(1,488,693,016)	(5,402,601,299)	(4,471,212,418)
GROSS PROFIT		498,964,670	462,767,807	1,497,534,661	1,284,241,385
General and administration expenses		(144,277,832)	(112,878,505)	(406,722,738)	(319,673,567)
Selling and distribution expenses		(41,307,626)	(73,451,209)	(170,964,263)	(193,239,889)
TOTAL OPERATING EXPENSES		(185,585,458)	(186,329,714)	(577,687,001)	(512,913,456)
OPERATING PROFIT		313,379,212	276,438,093	919,847,660	771,327,929
Finance income, net		12,006,462	934,025	23,034,706	1,279,352
Other (loss) / income, net		(2,099,224)	51,983	(3,021,148)	2,138,317
TOTAL OTHER INCOME		9,907,238	986,008	20,013,558	3,417,669
PROFIT BEFORE ZAKAT		323,286,450	277,424,101	939,861,218	774,745,598
Zakat	9	(23,398,161)	(20,252,608)	(83,969,268)	(56,252,702)
NET PROFIT FOR THE PERIOD		299,888,289	257,171,493	855,891,950	718,492,896
Other comprehensive income / (loss)					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Re-measurement of end of service indemnities	10	1,498,560	(424,296)	40,628	79,580,379
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		301,386,849	256,747,197	855,932,578	798,073,275
EARNINGS PER SHARE (EPS):					
Basic EPS from net profit for the period	19	2.52	2.14	7.20	5.99
Diluted EPS from net profit for the period	19	2.50	2.14	7.13	5.99


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 21 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 FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Note	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,516,868,678	1,607,556,524
Murabaha time deposits	5	1,800,000,000	-
Accounts receivable	12	3,278,161,166	3,020,557,307
Prepayments and other assets	12	171,792,712	287,976,272
Contract assets	6,12	1,198,517,831	1,256,218,688
Inventories		49,123,605	273,986,156
TOTAL CURRENT ASSETS		8,014,463,992	6,446,294,947
NON-CURRENT ASSETS			
Contract costs		4,397,811	23,128,803
Intangible assets		92,939,996	98,209,814
Property and equipment		475,753,932	550,611,682
Right-of-use assets	7	43,243,227	54,502,773
TOTAL NON-CURRENT ASSETS		616,334,966	726,453,072
TOTAL ASSETS		8,630,798,958	7,172,748,019
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accruals	12	2,034,747,269	1,931,349,611
Deferred revenue	12	2,694,929,301	2,276,522,431
Contract liabilities	12	375,819,318	354,116,804
Zakat payable	9	92,808,237	72,269,437
TOTAL CURRENT LIABILITIES		5,198,304,125	4,634,258,283
NON-CURRENT LIABILITIES			
Lease liabilities	8	20,667,368	31,335,206
End of service indemnities	10	235,080,788	236,586,315
Borrowing	11	498,815,500	-
TOTAL NON-CURRENT LIABILITIES		754,563,656	267,921,521
TOTAL LIABILITIES		5,952,867,781	4,902,179,804
EQUITY			
Share capital	17	1,200,000,000	1,200,000,000
Statutory reserve		203,471,411	203,471,411
Other reserves		114,981,677	88,434,032
Treasury shares	18	(181,076,633)	(181,200,000)
Retained earnings		1,340,554,722	959,862,772
TOTAL EQUITY		2,677,931,177	2,270,568,215
TOTAL LIABILITIES AND EQUITY		8,630,798,958	7,172,748,019


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ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
30 SEPTEMBER 2022

	Share capital SR	Statutory reserve SR	Other reserves SR	Treasury Shares SR	Retained earnings SR	Total SR
Balance as at 1 January 2022	1,200,000,000	203,471,411	88,434,032	(181,200,000)	959,862,772	2,270,568,215
Net profit for the period	-	-	-	-	855,891,950	855,891,950
Other comprehensive income for the period	-	-	40,628	-	-	40,628
Share-based payment transactions (Note 18)	-	-	26,507,017	123,367	-	26,630,384
Dividends (Note 17.2)	-	-	-	-	(475,200,000)	(475,200,000)
Balance as at 30 September 2022	1,200,000,000	203,471,411	114,981,677	(181,076,633)	1,340,554,722	2,677,931,177
Balance as at 1 January 2021	1,200,000,000	120,179,550	(6,851,269)	-	610,236,024	1,923,564,305
Net profit for the period	-	-	-	-	718,492,896	718,492,896
Other comprehensive income for the period	-	-	79,580,379	-	-	79,580,379
Share-based payment transactions	-	-	368,732	-	-	368,732
Treasury Shares (Note 18)	-	-	-	(181,200,000)	-	(181,200,000)
Dividends (Note 17.2)	-	-	-	-	(400,000,000)	(400,000,000)
Balance as at 30 September 2021	1,200,000,000	120,179,550	73,097,842	(181,200,000)	928,728,920	2,140,806,312


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
30 SEPTEMBER 2022

	2022 SR	2021 SR
OPERATING ACTIVITIES		
Profit before zakat	939,861,218	774,745,598
Adjustments for:		
Depreciation, and amortization - property and equipment and intangibles	152,922,631	139,059,242
Amortization - right of use assets	13,288,391	13,128,771
Impairment on accounts receivables and contract assets	562,660	61,502,786
End of service indemnities expense	46,848,017	44,606,255
Share based payment expense	26,630,384	368,732
Reversal of future contract losses	(7,049,961)	(614,794)
(Reversal) / Provision against advances to suppliers	(470,128)	7,270,629
(Reversal) / Provision for slow moving and obsolete inventories	(400,122)	34,114,131
Finance charges	5,730,252	835,132
Finance income	(28,764,958)	(2,114,484)
	<u>1,149,158,384</u>	<u>1,072,901,998</u>
Changes in operating assets and liabilities:		
Accounts receivable	(258,166,519)	(149,405,301)
Prepayments and other assets	123,122,519	41,882,613
Contract assets	57,700,857	94,774,015
Inventories	225,262,673	40,607,350
Contract costs	18,730,992	(16,730,364)
Accounts payable and accruals	111,149,517	(374,791,096)
Deferred revenue	418,406,870	(1,830,857)
Contract liabilities	21,702,514	16,594,817
Cash flows generated from operating activities	<u>1,867,067,807</u>	<u>724,003,175</u>
Zakat paid	(63,430,468)	(52,540,821)
End of service indemnities paid	(48,312,917)	(26,809,250)
Finance income received, net	22,296,127	1,987,402
Net cash flow generated from operating activities	<u>1,777,620,549</u>	<u>646,640,506</u>
INVESTING ACTIVITY		
Purchase of property, equipment and intangible assets	(72,795,063)	(114,931,973)
Placements of murabaha time deposits	(1,800,000,000)	-
Net cash used in investing activity	<u>(1,872,795,063)</u>	<u>(114,931,973)</u>
FINANCING ACTIVITIES		
Purchase of treasury shares	-	(181,200,000)
Lease liabilities payments	(19,128,832)	(34,733,257)
Dividends paid	(475,200,000)	(400,000,000)
Proceeds from borrowing	498,815,500	-
Net cash generated / (used in) financing activities	<u>4,486,668</u>	<u>(615,933,257)</u>
Net decrease in cash and cash equivalents	(90,687,846)	(84,224,724)
Cash and cash equivalents at the beginning of the period	1,607,556,524	993,473,644
Cash and cash equivalents at the ending of the period	<u>1,516,868,678</u>	<u>909,248,920</u>


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 21 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)
30 SEPTEMBER 2022

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 Joint Stock Company (note 17). During September 2021, the Company has completed its initial public offering and its share was traded on September 30, 2021 (note 17).

The Company is 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, systems analysis, design and programming of special software and applications development, senior management advisory services. In addition to 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.

The Company has the following branches in order to manage the operations in other parts of the Kingdom:

Name of branch	Registration No	Date	Location
Arabian Internet and Communication Services Company	1010294137	20/09/1431H	Riyadh
Leading Solutions Training Center	1010771115	03/06/ 1443H	Riyadh
Arabian Internet and Communication Services Company	2051057553	15/07/1435H	Al-Khobar
Arabian Internet and Communication Services Company	2055022604	15/07/1435H	Al-Jubail
Arabian Internet and Communication Services Company	4030271030	15/07/1435H	Jeddah

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

Subsidiaries	Country of incorporation	Ownership %	
		30 September 2022	31 December 2021
a. Saudi Telecom Company Solution for Information Technology (Owned by One Person)	Egypt	100%	100%
b. Sanad AlTeqany For Commercial Services Company	Saudi Arabia	100%	100%

a. Saudi Telecom Company Solution for Information Technology (Owned by One Person) is a Limited Liability Company registered in Cairo, Egypt under commercial registration numbered 130135 and dated 9 Jumad Awal 1440H (corresponding to 15 January 2019) with a capital of USD 70,000 paid in cash. The Subsidiary has 1,000 shares with a nominal value of USD 70 per share and it is fully owned by the Company. The principal activities of the Subsidiary are information technology and communication industry including industrial activities in designing including designing computer systems, electronics development, data centers development, software and e-learning development, data analysis, data management, production of electronic contents, system integration, trainings and outsourcing services, software production.

b. Sanad AlTeqany For Commercial Services Company (Owned by One Person) is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration numbered 1010766752 issued in Riyadh on 18 Jumada Alawal 1443H (corresponding to 22nd December 2021) with a capital of SR 5 Million which is not yet paid. The subsidiary has 500,000 shares with a nominal value of SR 10 per share and it is fully owned by the Company. The principal activities of the subsidiary are providing a general admin and support services, searching employees for jobs hiring either by direction or tests and temporary employment agencies of Saudi individuals activities.

The Company is 79% owned by Saudi Telecom Company (“STC”) (31 December 2021: 79%). The parent of STC is Public Investment Fund (“PIF”) which owns 64% (31 December 2021: 64%) of its ordinary shares and is based in Saudi Arabia.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2022

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 issued 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 2021.

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 2021.

There are amendments to the standards that come into effect at 1 January 2022, but they do not have material impact on the Group interim condensed consolidated financial statements.

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)
30 SEPTEMBER 2022

4. REVENUE, NET

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
	SR	SR	SR	SR
Core ICT Services	1,191,042,271	1,076,169,158	3,884,003,288	3,104,906,563
IT Managed and Operational Services	585,838,095	494,453,421	1,701,688,005	1,442,634,907
Digital Services	450,307,280	380,838,244	1,314,444,667	1,207,912,333
	2,227,187,646	1,951,460,823	6,900,135,960	5,755,453,803
Type of customers				
Sell through STC and sell to direct customers (STC is not the end customer)	1,621,748,807	1,396,897,939	4,631,628,217	3,998,904,313
Sell to STC (STC is the end customer)	605,438,839	554,562,884	2,268,507,743	1,756,549,490
	2,227,187,646	1,951,460,823	6,900,135,960	5,755,453,803
Timing of revenue recognition				
Goods or services transferred to customers:				
- over time	2,073,144,218	1,857,762,032	6,465,764,894	5,420,681,978
- at a point in time	154,043,428	93,698,791	434,371,066	334,771,825
	2,227,187,646	1,951,460,823	6,900,135,960	5,755,453,803

5. MURABAHA TIME DEPOSITS

These represent the Murabaha deposits placed with various local banks carry a profit rate of 2.72% to 4.4% per annum. The maturity date for all these deposits are more than 90 days when placed and less than one year.

6. CONTRACT ASSETS

	30 September 2022	31 December 2021
	SR	SR
Gross contract assets	1,226,510,734	1,264,069,299
Allowance for impairment	(27,992,903)	(7,850,611)
	1,198,517,831	1,256,218,688

The movements in the allowance for impairment related to contract assets for the nine-month period ended 30 September were as follows:

	2022	2021
	SR	SR
Balance as at 1 January	7,850,611	5,957,205
Charge / (reversal) for the period	20,142,292	(2,287,119)
Balance as at 30 September	27,992,903	3,670,086

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2022

7. RIGHT OF USE ASSETS

Below is the movement of the right of use assets under the application of IFRS 16, "Leases":

	Land and Buildings	Vehicles	Total
	SR	SR	SR
Balance as at 1 January 2021	71,818,593	114,118	71,932,711
Amortization charge for the year	(17,315,820)	(114,118)	(17,429,938)
Balance as at 31 December 2021	54,502,773	-	54,502,773
Additions to right of use assets	2,028,845	-	2,028,845
Amortization charge for the period	(13,288,391)	-	(13,288,391)
Balance as at 30 September 2022	43,243,227	-	43,243,227

Right of use assets are amortized as follows:

Leasehold land	15 years
Buildings	4 years
Vehicles	3 years

8. LEASE LIABILITIES

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

Maturity analysis of undiscounted cash flows	30 September 2022	31 December 2021
	SR	SR
Less than one year	30,722,824	29,443,672
More than one year	21,922,835	33,417,569
Total undiscounted liabilities	52,645,659	62,861,241

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

	30 September 2022	31 December 2021
	SR	SR
Current portion (included as part of accounts payable and accruals)	26,643,592	29,256,240
Non-current portion	20,667,368	31,335,206
Total	47,310,960	60,591,446

9. ZAKAT

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. The Group's zakat provision for the three-month and nine-month periods ended 30 September 2022 amounted to SR 23.40 million and SR 83.97 million respectively (30 September 2021: SR 20.25 million and SR 56.25 million respectively) and is charged to the interim condensed consolidated statement of profit or loss.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2022

10. END OF SERVICE INDEMNITIES

Calculation of end of service benefits provision as at 30 September 2022 is determined using the most recent actuarial valuation as at the period then ended. Further, the Group recorded a net actuarial gain of SR 1.50 million for the three-month period ended 30 September 2022 (2021: a net actuarial loss of SR 0.42 million) and a net actuarial gain of SR 0.04 million for the nine-month period ended 30 September 2022 (2021: a net actuarial gain of SR 79.58 million) in the interim condensed consolidated statement of comprehensive income.

11. BORROWING

During the period, 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 (note 16). As at 30 September 2022, the facility amounting to SR 500 million was withdrawn, the principal is repayable in one instalment due in June 2027, and interest is payable based on SIBOR + 0.45% spread on semi-annual basis. The facility is secured against a promissory note signed by the Group.

12. RELATED PARTIES TRANSACTIONS AND BALANCES

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 normal 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-month and nine-month period, the Group entered into the following significant transactions with its Parent Company and its Parent's subsidiaries:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
	SR	SR	SR	SR
Sales of goods and services (a)	1,573,391,454	1,470,099,049	5,227,451,196	4,497,068,996
Purchases	167,025,711	51,640,757	466,672,270	298,831,581

(a) Sales of goods and services to Parent Company and its Parent's subsidiaries for the three and nine-months periods ended 30 September 2022 include an amount of SR 968 million and SR 2,959 million respectively (2021: SR 916 million and SR 2,741 million respectively) for which Parent Company and its Parents' subsidiaries are not the end customer.

Revenue related to direct transactions with government and government related entities for the three and nine-months periods ended 30 September 2022 is SR 446 million and SR 1,200 million respectively (2021: SR 341 and SR 881 million respectively).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2022

12. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

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

	30 September 2022	31 December 2021
	SR	SR
Accounts receivable: gross	2,183,657,032	2,388,079,460
Contract assets	710,030,536	846,921,803
Other assets: receivable from related parties	59,377,758	8,516,330
Deferred revenue	(2,433,578,924)	(2,075,342,306)
Contract liabilities	(351,402,713)	(342,315,572)
Accrued expenses	(162,843,329)	(132,994,447)
Amounts due to related parties	(183,847,021)	(59,265,811)
Accrued connectivity charges	(105,150,062)	(51,422,467)

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

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 and used to allocate resources to the segments and to assess their performance.

The Group is engaged in Information Communication and Technology (ICT) services as mentioned below. Majority of the Group's revenues, income and assets relate to its operations within the Kingdom. The operating segments that are regularly reported to the Group's chief operating decision maker are the revenue streams and resources which are distributed to an operating segment based on the revenue and their details are as below:

- Core ICT Services: These services are core requirements of the businesses, enabling customers to have core IT requirements with systems, hardware/software, and connectivity to the internet. (including: System Integration and Communication and Internet Services).
- IT Managed and Operational Services: These services are considered as add on(s) and help the customers in managing their operations and improve the total cost of ownership, (including: Outsourcing and Managed services).
- Digital Services: These services are advance digital services utilized by customers to further enhance and scale their offerings (including: Cloud, Cyber Security and Digital Services).

There are no intersegments revenue for the period ended 30 September 2022 (30 September 2021: Nil), therefore reconciliation of segments revenue to total revenue is not relevant.

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13. SEGMENT INFORMATION (continued)

The Group analyzes assets and liabilities for allocation of resources on a consolidated level, the revenue generated outside KSA is not material, therefore segmentation is not relevant.

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2022	2021	2022	2021
	SR	SR	SR	SR
Core ICT Services	1,191,042,271	1,076,169,158	3,884,003,288	3,104,906,563
IT Managed and Operational Services	585,838,095	494,453,421	1,701,688,005	1,442,634,907
Digital Services	450,307,280	380,838,244	1,314,444,667	1,207,912,333
Total revenue	2,227,187,646	1,951,460,823	6,900,135,960	5,755,453,803
Total cost of revenue	(1,728,222,976)	(1,488,693,016)	(5,402,601,299)	(4,471,212,418)
Total operating expenses	(185,585,458)	(186,329,714)	(577,687,001)	(512,913,456)
Total non-operating income	9,907,238	986,008	20,013,558	3,417,669
Zakat	(23,398,161)	(20,252,608)	(83,969,268)	(56,252,702)
Net profit	299,888,289	257,171,493	855,891,950	718,492,896

14. FINANCIAL RISK AND CAPITAL MANAGEMENT

Market risk

The Group was not exposed to market risk during the period. There were no changes in these circumstances from the previous year.

Foreign currency risk management

The Group did not have any material foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Profit and liquidity rate risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. There has been no change to this strategy from the previous year.

The Group was not exposed to movements in profit rates at the reporting date. Consequently, no profit rate sensitivity analysis has been presented.

The following tables show the Group's remaining contractual maturity for its financial liabilities with agreed repayment period. The tables have been drawn up based on the cash flows of financial liabilities on the earliest date on which the Group can be required to pay. The tables include both profit and principal cash flows.

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14. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Profit and liquidity rate risk management (continued)

30 September 2022	Profit rate %	Within one year SR	More than one year SR	Total SR
Accounts payable and accruals	NA	2,008,103,677	-	2,008,103,677
Lease liabilities	1.49% to 3.25%	30,722,824	21,922,835	52,645,659
Long term loan	SIBOR + 0.45% semi annual	-	500,000,000	500,000,000
31 December 2021	Profit rate %	Within one year SR	More than one year SR	Total SR
Accounts payable and accruals	NA	1,902,093,371	-	1,902,093,371
Lease liabilities	1.49% to 3.25%	29,443,672	33,417,569	62,861,241

Credit risk management

Credit risk related to private customers which is managed by the Group by establishing credit limits and monitoring outstanding receivables. Management does not believe that there is any significant credit risk associated with these receivables and is confident that they will be recovered. The Group is currently having most of its transactions with Saudi Telecom Company (“STC”), the Ultimate Parent Company, and also provide services to the Government. STC and the Government are recognized to have high credit rating and hence credit risk is considered to be low. The Group does not expect any default in payment from such receivables, except in case of disputes. Other receivables are monitored on an on-going basis.

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Group’s receivables from customers.

The carrying amounts of financial assets represent the maximum credit exposure. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Impairment losses on financial assets recognized in profit or loss were as follows:

Trade receivables and contract assets

	30 September 2022 SR	30 September 2021 SR
(Reversal) / impairment charge on accounts receivable	(19,579,632)	63,789,905
Impairment charge / (reversal) on contract assets (note 6)	20,142,292	(2,287,119)
Total	562,660	61,502,786

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

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14. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Trade receivables and contract assets (continued)

The Group's exposure and the credit scores of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty credit limits that are reviewed and approved by the credit control team annually.

The average credit period on sales of goods and services is 60 days. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. One of the Group's debtors represent 12% (31 December 2021: 8%) of the total accounts receivable balance excluding Parent Company and its Parent's subsidiaries balances.

Customers are grouped according to their credit characteristics, including whether they are private or not and whether sovereign or non-sovereign. The customers are grouped in a particular segment share with similar credit risk characteristics. Since the Group considers the homogeneity of economic characteristics of the Group/individual for segmentation. Private customers are assessed for impairment on a collective basis. The Group does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

Capital management

The Group manages its capital to ensure it will be able to continue as going concerns while maximizing the return to stakeholders through optimization of debt and equity balances. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of debt and equity, which comprises mainly of share capital, reserves, treasury shares and retained earnings.

15. CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

16. CONTINGENT LIABILITIES

	30 September 2022	31 December 2021
	SR	SR
Letters of guarantee	315,224,237	271,433,635
Letters of credit	22,512,779	-

The above letters of guarantees and letter of credit were issued under a multi-purpose banking facility of SR 500 million (31 December 2021: SR 500 million).

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17. SHARE CAPITAL AND DIVIDENDS

17.1 Share Capital

On June 28, 2021, the Company has received approval from the Capital Market Authority (CMA) for an initial public offering (IPO), through the offering of 24 million shares, representing 20% of the Company's shares. The Company started trading its shares on Tadawul on 30 September 2021.

17.2 Dividends

The General Assembly in its extraordinary general meeting held on 28 Shawwal 1443H (corresponding to 29 May 2022) approved to distribute dividends of SR 4 per share, totaling to SR 475.2 million (2021: SR 3.33 per share, totaling to SR 400 million), the dividends were paid.

18. 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 of 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. During the period, 817 shares have been vested under the long term incentive plan.

19. EARNINGS PER SHARE

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2022	2021	2022	2021
Net profit for the period 'SR'	299,888,289	257,171,493	855,891,950	718,492,896
Weighted average number of shares for the purpose of basic earning	118,800,133	119,991,209	118,800,045	119,991,209
Weighted average number of shares for the purpose of diluted earning	120,000,000	120,000,000	120,000,000	120,000,000
Basic Earning per share	2.52	2.14	7.20	5.99
Diluted Earning per share	2.50	2.14	7.13	5.99

20. EVENTS AFTER THE REPORTING DATE

On 5 Dhu al-Qa'dah 1443H (corresponding to 4 June 2022), the Company has signed a sale and purchase agreement (SPA) relating to an acquisition of up to 88.19% ownership of Giza Systems Company, in addition to 34% of Giza Arabia, a subsidiary of Giza Systems Company. Subsequent to the period-end, the Company completed all procedures required to conclude the transaction.

No events have arisen subsequent to 30 September 2022 and before the issuance of the interim condensed consolidated financial statements that could have a significant effect on the interim condensed consolidated financial statements as at 30 September 2022.

21. APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements for the nine-month period ended 30 September 2022 were approved by the audit committee (delegated by the Company's Board of Directors) at its meeting held on 2 Rabi Al-Thani 1444H (corresponding to 27 October 2022).