

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX-MONTHS PERIOD ENDED 30 JUNE 2021

Independent auditor's review report on the interim condensed consolidated financial statements

To the Shareholders of Arabian Internet and Communication Services Company
(A Saudi Closed 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 Closed Joint Stock company) (the "Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2021, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and six month periods ended 30 June 2021, and the related interim condensed consolidated statements of changes in equity and cash flows for the six 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



Abdulaziz A. Al-Sowailim
Certified Public Accountant
License No. (277)

Riyadh: 7 Muharram 1443H
(15 August 2021)



ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND SIX-MONTHS PERIOD ENDED 30 JUNE

	Note	Three-months period ended	Three- months period ended	Six-months period ended	Six-months period ended
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		SR	SR	SR	SR
Revenue, net	4,11	1,937,199,840	1,680,170,778	3,803,992,980	3,199,016,485
Cost of revenue		(1,505,104,586)	(1,283,944,188)	(2,982,519,402)	(2,522,815,376)
Gross profit		432,095,254	396,226,590	821,473,578	676,201,109
General and administration expenses		(111,867,760)	(84,361,392)	(206,795,062)	(174,684,764)
Selling and distribution expenses		(43,603,768)	(41,245,674)	(85,385,688)	(78,526,668)
(Impairment) / reversal of impairment of accounts receivable and contract assets		(6,027,602)	4,005,967	(34,402,992)	(2,226,094)
Other income		2,571,685	768,884	2,086,334	858,502
Net profit before finance income/ (charge) and zakat		273,167,809	275,394,375	496,976,170	421,622,085
Finance income / (charge), net		218,867	(546,043)	345,327	(182,285)
Net profit before zakat		273,386,676	274,848,332	497,321,497	421,439,800
Zakat	8	(17,267,019)	(20,498,060)	(36,000,094)	(33,310,453)
Net profit for the period		256,119,657	254,350,272	461,321,403	388,129,347
Other comprehensive income / (loss)					
Item that will not be reclassified subsequently to profit or loss:					
Remeasurement of end of service indemnities	9	738,675	(22,039,354)	80,004,675	17,848,646
Total comprehensive income for the period		256,858,332	232,310,918	541,326,078	405,977,993
Earnings per share:					
Basic and diluted from net profit for the period (restated)	18	2.13	2.12	3.84	3.23

The accompanying notes (1) to (20) form an integral part of these interim condensed consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2021

	Note	30 June 2021	31 December 2020
		SR	SR
ASSETS			
Current assets			
Cash and cash equivalents		888,442,109	993,473,644
Accounts receivable	10	2,849,312,032	2,803,751,456
Prepayments and other assets		101,288,274	156,879,523
Contract assets	5,10	1,414,831,475	1,504,561,466
Inventories		70,662,196	112,369,154
Total current assets		5,324,536,086	5,571,035,243
Non-current assets			
Contract costs		23,534,031	6,641,665
Intangible assets		96,649,921	91,459,160
Right-of-use assets	6	63,142,161	71,932,711
Property and equipment		599,162,016	593,558,752
Total non-current assets		782,488,129	763,592,288
TOTAL ASSETS		6,107,024,215	6,334,627,531
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable and accruals	10	1,725,735,010	1,973,953,470
Deferred revenue	10	1,647,480,485	1,704,985,832
Contract liabilities	10	367,691,742	336,035,288
Zakat payable	8,10	36,740,017	53,140,982
Total current liabilities		3,777,647,254	4,068,115,572
Non-current liabilities			
Lease liabilities	7	39,773,006	48,170,893
End of service indemnities	9	224,587,461	294,776,761
Total non-current liabilities		264,360,467	342,947,654
TOTAL LIABILITIES		4,042,007,721	4,411,063,226
EQUITY			
Share capital	17	1,200,000,000	1,200,000,000
Statutory reserve		120,179,550	120,179,550
Other reserves		73,279,517	(6,851,269)
Retained earnings		671,557,427	610,236,024
TOTAL EQUITY		2,065,016,494	1,923,564,305
TOTAL LIABILITIES AND EQUITY		6,107,024,215	6,334,627,531

The accompanying notes (1) to (20) form an integral part of these interim condensed consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
30 JUNE 2021

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
	SR	SR	SR	SR	SR
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,	-	-	-	461,321,403	461,321,403
Other comprehensive income for the period,	-	-	80,004,675	-	80,004,675
Other reserve	-	-	126,111	-	126,111
Dividend (Note 17)	-	-	-	(400,000,000)	(400,000,000)
Balance as at 30 June 2021	1,200,000,000	120,179,550	73,279,517	671,557,427	2,065,016,494
Balance as at 1 January 2020	100,000,000	50,000,000	28,204,000	1,078,620,070	1,256,824,070
Net profit for the period,	-	-	-	388,129,347	388,129,347
Other comprehensive income for the period,	-	-	17,848,646	-	17,848,646
Balance as at 30 June 2020	100,000,000	50,000,000	46,052,646	1,466,749,417	1,662,802,063

The accompanying notes (1) to (20) form an integral part of these interim condensed consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW (UNAUDITED)
30 JUNE 2021

	2021 SR	2020 SR
OPERATING ACTIVITIES		
Net profit before zakat	497,321,497	421,439,800
Adjustments for:		
Depreciation, impairment and amortization - property and equipment and intangibles	67,081,750	38,978,447
Depreciation - right of use assets	8,790,550	9,474,617
Impairment loss on accounts receivables and contract assets	34,402,992	2,226,094
Employee benefits expense	18,746,486	41,130,810
(Reversal) / Provision of future estimated contract losses	(399,306)	265,238
Provision / (Reversal) against advances to suppliers	3,950,796	(880,903)
Provision for slow moving and obsolete inventories	32,026,249	17,598,233
Finance charges	580,997	1,363,515
Finance income	(926,324)	(1,181,230)
	661,575,687	530,414,621
Changes in operating assets and liabilities:		
Accounts receivable	(84,265,027)	(199,154,873)
Prepayments and other assets	42,885,967	(34,241,177)
Contract assets	94,031,450	(339,224,339)
Inventories	9,680,709	(70,799,845)
Contract costs	(16,892,366)	3,669,834
Accounts payable and accruals	(225,023,191)	108,512,858
Deferred revenue	(57,505,347)	(49,261,736)
Contract liabilities	31,656,454	(183,284,889)
Cash flows generated from / (used in) operating activities	456,144,336	(233,369,546)
Zakat paid	(52,401,059)	-
End of service indemnities paid	(8,805,000)	(10,990,000)
Finance income received, net	890,260	1,181,230
Net cash generated from / (used in) operating activities	395,828,537	(243,178,316)
INVESTING ACTIVITIES		
Purchase of property, equipment and intangible assets	(77,875,775)	(53,931,216)
Net cash used in investing activities	(77,875,775)	(53,931,216)
FINANCING ACTIVITIES		
Lease liabilities payments	(22,984,297)	(403,641)
Dividends paid	(400,000,000)	-
Net cash used in financing activities	(422,984,297)	(403,641)
Net decrease in cash and cash equivalents	(105,031,535)	(297,513,173)
Cash and cash equivalents at the beginning of the period	993,473,644	414,280,958
Cash and cash equivalents at the end of the period	888,442,109	116,767,785

The accompanying notes (1) to (20) form an integral part of these interim condensed consolidated financial statements

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 JUNE 2021

1- ACTIVITIES

Arabian Internet and Communication Services Company ("the Company") is a Saudi Closed 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 (note 17).

The Company is engaged in expansion of telecom cables and networks in addition to installation and expansion of computer and telecom networks. It also covers the installation and maintenance of security devices and senior management advisory services.

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
Arabian Internet and Communication Services Company	1010464020	04/12/1437H	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 subsidiary included in these interim condensed consolidated financial statements:

Subsidiary	Country of incorporation	Ownership %	
		30 June 2021	31 December 2020
Saudi Telecom Company Solution for Information Technology (a)	Egypt	100%	100%

- a) Saudi Telecom Company Solution for Information Technology (Owned by One Person) ("the Subsidiary") 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 in computer systems, electronics development, data centers development, software and e-learning development, data analysis, data management, communication and internet services, production of electronic contents, system integration, trainings and outsourcing services, software production.

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

2- BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in KSA. These are the Group's interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the KSA and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

The interim condensed consolidated financial statements do not include all of the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the latest annual consolidated financial statements.

Basis of measurement and functional currency

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for measurement of equity investments at fair value through other comprehensive income at fair value as explained in the relevant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 2020. The below were applied during the first quarter of 2021:

Property and equipment

The Group applies the below estimated useful life to its property and equipment and depreciate accordingly:

Computer hardware	3 to 7 years
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Other items useful lives are same as disclosed in annual financial statements for the year ended 31 December 2020.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 16 Leases

The Group assess whether a contract contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee:

For all such lease arrangements the Group recognize right-of-use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets comprise of lease of land, building and vehicles which are depreciated over the respective lease period.

As a lessor:

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. This requires evaluation of each of the indicators provided in IFRS 16 including but not limited whether the discounted value of the lease payments covers significant part of the fair value of the underlying asset and whether the lease term covered major part of the economic life of the underlying asset. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Operating lease income is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any benefits granted as an incentive to enter into an operating lease, are distributed in a straight-line basis over the lease term.

The amounts due from the finance leases are recorded as lease receivables at an amount equal to the net investment of the Group in the lease. The lease payments to be received are distributed into two components: (1) a reimbursement of the original amount (2) a financing income to compensate the Group for its investment and services. The additional costs directly attributable to negotiating the lease contract are included in the amounts due, which in return, will reduce the finance income portion from the contract.

If an arrangement contains lease and non-lease components, then the total consideration is allocated using the standalone selling prices based on the principles of IFRS 15.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 JUNE 2021 (continued)

3- SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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.

4- REVENUE, NET

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Three-month period ended 30 June		Six-months period ended 30 June	
	2021 SR	2020 SR	2021 SR	2020 SR
Major product / Service line				
System Integration	577,304,934	582,181,646	1,185,351,188	1,163,759,394
Communication and Internet Services	442,542,488	343,376,503	843,386,216	613,714,386
Outsourcing Services	340,441,867	306,789,912	683,203,086	565,764,776
Cloud Services	268,773,054	155,220,503	469,924,789	292,164,322
Managed Services	140,936,536	99,744,956	264,978,400	188,467,315
Cyber Security	112,265,276	136,436,442	216,147,473	239,349,772
Digital Services	54,935,685	56,420,816	141,001,828	135,796,520
	1,937,199,840	1,680,170,778	3,803,992,980	3,199,016,485

Type of customers	30 June 2021 SR	31 June 2020 SR
Sell through STC and sell to direct customers (STC is not the end customer)	2,602,006,374	1,926,803,623
Sell to STC (STC is the end customer)	1,201,986,606	1,272,212,862
	3,803,992,980	3,199,016,485

Timing of revenue recognition		
Goods or services transferred to customers:	30 June 2021 SR	31 June 2020 SR
- over time	3,562,919,946	2,920,093,936
- at a point in time	241,073,034	278,922,549
	3,803,992,980	3,199,016,485

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 JUNE 2021 (continued)

5- CONTRACT ASSETS

	30 June 2021 SR	31 December 2020 SR
Gross contract assets	1,416,487,221	1,510,518,671
Allowance for impairment	(1,655,746)	(5,957,205)
	1,414,831,475	1,504,561,466

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

	30 June 2021 SR	30 June 2020 SR
Opening balance	5,957,205	8,548,117
Reversal for the period (note 12)	(4,301,459)	(580,514)
Closing balance	1,655,746	7,967,603

6- RIGHT OF USE ASSETS

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

	Land and Building SR	Vehicles SR	Total SR
Balance as at 1 January 2020	76,573,162	842,539	77,415,701
Additions, (net) to right of use assets	13,289,341	-	13,289,341
Depreciation charge for the year ended 31 December 2020	(18,043,910)	(728,421)	(18,772,331)
Balance as at 31 December 2020	71,818,593	114,118	71,932,711
Depreciation charge for the six-months period ended 30 June 2021	(8,676,432)	(114,118)	(8,790,550)
Balance as at 30 June 2021	63,142,161	-	63,142,161

Right of use assets are depreciated as follows;

Leasehold land	15 years
Buildings	4 years
Vehicles	3 years

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 JUNE 2021 (continued)

7- LEASE LIABILITIES RELATING TO RIGHT OF USE ASSETS

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

Maturity analysis of undiscounted cash flows	30 June 2021	31 December 2020
	SR	SR
Less than one year	28,928,599	40,279,245
More than one year	42,020,300	51,187,531
Total undiscounted liabilities	70,948,899	91,466,776

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

	30 June 2021	31 December 2020
	SR	SR
Current portion (included as part of accounts payable and accruals)	28,753,089	40,104,398
Non-current portion	39,773,006	48,170,893
Total	68,526,095	88,275,291

8- ZAKAT

The Group is a wholly owned subsidiary of Saudi Telecom Company ("the Parent Company"). According to Ministerial Resolution numbered 1005 and dated 28/4/1428H (Corresponding to 15/5/2007), the Parent Company submits its zakat returns based on its consolidated financial statements and consolidated zakat base and settles the zakat liability accordingly. The Group's share of the zakat for the six-months ended 30 June 2021 is amounting to SR 36 million (30 June 2020: SR 33.31 million) has been estimated based on the Group's zakat base and is charged to the interim condensed consolidated statement of profit or loss.

9- END OF SERVICE INDEMNITIES

Calculation of end of service benefits provision as at 30 June 2021 is determined using the most recent actuarial valuation as 30 June 2021. Further, the Group has recorded a net actuarial gain of SR 80 million (30 June 2020: SR 17.84 million) in the interim condensed consolidated statement of comprehensive income for the six-months period ended 30 June.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 JUNE 2021 (continued)

10- RELATED PARTY INFORMATION

Related parties comprise of the Parent Company and entities which are controlled directly or indirectly or influenced by the Parent Company 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.

During the six-months period, the Group entered into the following key transactions with STC:

	30 June 2021	30 June 2020
	SR	SR
Sales of goods and services to Parent Company and its subsidiaries (note 10.1)	3,026,969,947	2,542,035,257
Purchases from Parent Company	247,190,824	91,407,621
Long term incentive expense charged by Parent Company	126,111	-

10.1 Sales of goods and services to Parent Company and its subsidiaries include an amount of SR 1,824,983,341 (30 June 2020: SR 1,269,822,395) for which Parent Company is not the end customer.

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

	30 June 2021	31 December 2020
	SR	SR
Accounts receivable: gross	1,788,886,832	2,146,107,981
Contract assets	1,003,164,727	949,422,179
Other assets: receivable from related parties	24,598,887	80,661,693
Deferred revenue	(1,528,873,982)	(1,606,137,371)
Amounts due to related parties	(67,718,947)	(114,942,706)
Accrued connectivity charges	-	(239,657,375)
Contract liabilities	(332,431,447)	(260,457,485)
Accrued expenses	(143,311,598)	(108,058,882)
Expected credit losses	(84,892,833)	(80,845,124)

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

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 JUNE 2021 (continued)

11- 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 are distributed to an operating segment based on the revenue and their details are as follows:

- **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 assist customers in managing their operations and improve the total cost of ownership, (including: Outsourcing and Managed services)
- **Digital Services:** These services are advanced 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 June 2021 (30 June 2020: Nil), therefore reconciliation of segments revenue to total revenue is not relevant.

	Three-month period ended 30 June		Six-months period ended 30 June	
	2021	2020	2021	2020
Core ICT Services	1,019,847,422	925,558,149	2,028,737,404	1,777,473,780
IT Managed and Operational Services	481,378,403	406,534,868	948,181,486	754,232,091
Digital Services	435,974,015	348,077,761	827,074,090	667,310,614
Total revenue	1,937,199,840	1,680,170,778	3,803,992,980	3,199,016,485
Total cost of revenue	(1,505,104,586)	(1,283,944,188)	(2,982,519,402)	(2,522,815,376)
Total operating expenses	(161,499,130)	(121,601,099)	(326,583,742)	(255,437,526)
Total non-operating income	2,790,552	222,841	2,431,661	676,217
Zakat	(17,267,019)	(20,498,060)	(36,000,094)	(33,310,453)
Net profit	256,119,657	254,350,272	461,321,403	388,129,347

12- 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 period.

Foreign currency risk management

The Group did not have any 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, banking facilities and reserve borrowing 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 non-derivative 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.

30 June 2021	Profit rate %	Within one year SR	More than one year SR	Total SR
Accounts payable and accruals	Profit free	1,696,981,918	-	1,696,981,918
Lease liabilities relating to right of use assets	143 to 3.47%	28,928,599	42,020,300	70,948,899

31 December 2020	Profit rate %	Within one year SR	More than one year SR	Total SR
Accounts payable and accruals	Profit free	1,933,849,072	-	1,933,849,072
Lease liabilities relating to right of use assets	1.57 to 3.47%	40,279,245	51,187,531	91,466,776

12- FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Credit risk management

Credit risk related to other customers 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 fully 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 June 2021	30 June 2020
	SR	SR
Impairment charge on accounts receivable	38,704,451	(1,645,580)
Impairment (reversal) on contract assets (note 5)	(4,301,459)	(580,514)
Total	34,402,992	(2,226,094)

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.

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 comprise 9% (31 December 2020: 13%) of the total trade receivables balance excluding related parties balance.

12- FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Trade receivables and contract assets (continued)

Customers are grouped according to their credit characteristics, including whether they are private or not and whether sovereign or non-sovereign. The customers grouped in a particular segment share similar credit risk characteristics since the Group considers the homogeneity of economic characteristics of the Group/individual for segmentation. Private customers are generally 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 the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of equity comprising share capital, other reserves, the statutory reserve and retained earnings.

13- CAPITAL COMMITMENTS

The Group had no capital commitments at the reporting date.

14- SIGNIFICANT EVENT

Impact of coronavirus

A novel strain of coronavirus (COVID-19) was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization (WHO). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia, which resulted in a slowdown of economic and social activities and shutdowns of many sectors at global and local levels.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities, the group has assessed its impact on its current and future operational activities and has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families, and fully activating the technical solutions and providing digital channels with greater capabilities and facilities to ensure the continuity of services provided to the customers and reach them to their location for their own safety.

At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia has allowed the return of all economic and commercial activities, while observing the implementation of all preventive measures adopted, and commitment to social distancing.

14- SIGNIFICANT EVENT (Continued)

Impact of coronavirus (continued)

As of the date of the interim condensed consolidated financial statements for the six-months period ended 30 June 2021, the Group's operations and financial results have not incurred significant impact from the COVID-19 outbreak, taking into consideration the lower impact of the pandemic over the operations and activities of companies operating in telecom sector. The impact of the pandemic on the Group's operations and financial results was assessed using some judgments, estimates and assumptions that contain sources of uncertainty as it depends on several future factors and developments that cannot be reliably forecasted.

The Group continues to monitor the impact of this pandemic on its business and financial results.

Capital Market Authority Approval

On June 28, 2021, the Group has received approval from the Capital Market Authority (CMA) for an initial public offering (IPO), through the offering of 24,000,000 shares, representing 20% of the Company's shares.

15- EVENTS AFTER THE REPORTING DATE

No other events have arisen subsequent to 30 June 2021 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 June 2021.

16- CONTINGENT LIABILITIES

	30 June 2021	31 December 2020
	SR	SR
Letters of guarantee	214,674,652	205,670,965

The above letters of guarantee were issued under a borrowing facility of SR 500 million (31 December 2020: SR 500 million).

17- SHARE CAPITAL

During the year 2020, the shareholders of the Company in their meeting held on 12 Safar 1442H (corresponding to 29 September 2020) resolved to increase the share capital of the Company from SR 100,000,000 to SR 1,200,000,000 (divided into 120,000,000 shares of SR 10 each) and to change the legal form of the Company from a limited liability Company to a closed joint stock Company. The legal formalities for the increase in share capital and change of legal form were completed in December 2020.

The General Assembly in its extraordinary general meeting held on 4 Rajab 1442H (corresponding to 16 February 2021) approved to distribute dividends of SR 3.33 per share, totaling to SR 400,000,000.

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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18- EARNINGS PER SHARE

	Three-month period ended 30 June		Six-months period ended 30 June	
	2021	2020	2021	2020
Net profit for the period	256,119,657	254,350,272	461,321,403	388,129,347
Weighted average no of shares for basic and diluted earnings per share	120,000,000	120,000,000	120,000,000	120,000,000
Basic and diluted earnings per share	2.13	2.12	3.84	3.23

19- APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the six-months period ended 30 June 2021 were authorized for issuance in accordance with the resolution of the Board of Directors on 3 Muharram 1443H (corresponding to 11 August 2021).

20- COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform the current period presentation.