

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**
**FOR THE THREE AND NINE-MONTHS PERIOD ENDED 30
SEPTEMBER 2021**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2021

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**Independent Auditors' 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 subsidiary (collectively referred to as "the Group") as at 30 September 2021, and the related interim condensed consolidated statement of profit or loss and other comprehensive income, for the three and nine month periods ended 30 September 2021, and the related interim condensed consolidated statements of cash flows and changes in equity 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") as 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" as 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 and Young & Co
(Certified Public Accountants)

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



Riyadh: 18 Rabi' al-Awwal 1443
(24 October 2021)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2021

	Note	Three-months period ended 30 September 2021 SR	Three-months period ended 30 September 2020 SR	Nine-months period ended 30 September 2021 SR	Nine-months period ended 30 September 2020 SR
Revenue, net	4,11	1,951,460,823	1,942,353,824	5,755,453,803	5,141,370,309
Cost of revenue		(1,488,693,016)	(1,508,191,496)	(4,471,212,418)	(4,031,006,872)
GROSS PROFIT		462,767,807	434,162,328	1,284,241,385	1,110,363,437
General and administration expenses		(112,878,505)	(94,138,534)	(319,673,567)	(268,823,298)
Selling and distribution expenses		(46,351,415)	(29,164,246)	(131,737,103)	(107,690,914)
Impairment of accounts receivable and contract assets		(27,099,794)	(56,510,599)	(61,502,786)	(58,736,693)
Other income		51,983	186,633	2,138,317	1,045,135
NET PROFIT BEFORE FINANCE INCOME/ (COSTS) AND ZAKAT		276,490,076	254,535,582	773,466,246	676,157,667
Finance income / (costs), net		934,025	(431,180)	1,279,352	(613,465)
NET PROFIT BEFORE ZAKAT		277,424,101	254,104,402	774,745,598	675,544,202
Zakat	8	(20,252,608)	(13,996,038)	(56,252,702)	(47,306,491)
NET PROFIT FOR THE PERIOD		257,171,493	240,108,364	718,492,896	628,237,711
Other comprehensive income/(loss) <i>Item that will not be reclassified subsequently to profit or loss:</i> Remeasurement of end of service indemnities	9	(424,296)	1,112,000	79,580,379	18,960,646
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		256,747,197	241,220,364	798,073,275	647,198,357
EARNINGS PER SHARE (EPS):					
Basic EPS from net profit for the period (restated)	17	2.14	2.00	5.99	5.24
Diluted EPS from net profit for the period (restated)	17	2.14	2.00	5.99	5.24


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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 JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2021

	Note	30 September 2021 SR	31 December 2020 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		909,248,920	993,473,644
Accounts receivable	10	2,891,653,971	2,803,751,456
Prepayments and other assets		107,853,363	156,879,523
Contract assets	5,10	1,409,787,451	1,504,561,466
Inventories		37,647,673	112,369,154
TOTAL CURRENT ASSETS		5,356,191,378	5,571,035,243
NON-CURRENT ASSETS			
Contract costs		23,372,029	6,641,665
Intangible assets		92,559,229	91,459,160
Right-of-use assets	6	58,803,940	71,932,711
Property and equipment		568,331,414	593,558,752
TOTAL NON-CURRENT ASSETS		743,066,612	763,592,288
TOTAL ASSETS		6,099,257,990	6,334,627,531
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accruals	10	1,576,705,255	1,973,953,470
Deferred revenue	10	1,703,154,975	1,704,985,832
Contract liabilities	10	352,630,105	336,035,288
Zakat payable	8	56,852,863	53,140,982
TOTAL CURRENT LIABILITIES		3,689,343,198	4,068,115,572
NON-CURRENT LIABILITIES			
Lease liabilities	7	36,115,093	48,170,893
End of service indemnities	9	232,993,387	294,776,761
TOTAL NON-CURRENT LIABILITIES		269,108,480	342,947,654
TOTAL LIABILITIES		3,958,451,678	4,411,063,226
EQUITY			
Share capital	16	1,200,000,000	1,200,000,000
Statutory reserve		120,179,550	120,179,550
Other reserves		73,097,842	(6,851,269)
Treasury Shares	17	(181,200,000)	-
Retained earnings		928,728,920	610,236,024
TOTAL EQUITY		2,140,806,312	1,923,564,305
TOTAL LIABILITIES AND EQUITY		6,099,257,990	6,334,627,531


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
30 SEPTEMBER 2021

	Share capital SR	Statutory reserve SR	Other reserves SR	Proposed share capital SR	Treasury Share SR	Retained earnings SR	Total 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	-	-	-	-	-	718,492,896	718,492,896
Other comprehensive income for the period	-	-	79,580,379	-	-	-	79,580,379
Other reserve	-	-	368,732	-	-	-	368,732
Treasury Shares (Note 17)	-	-	-	-	(181,200,000)	-	(181,200,000)
Dividends (Note 16)	-	-	-	-	-	(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
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	-	-	-	-	-	628,237,711	628,237,711
Other comprehensive income for the period	-	-	18,960,646	-	-	-	18,960,646
Increase in share capital (Note 16)	-	-	-	1,100,000,000	-	(1,100,000,000)	-
Balance as at 30 September 2020	100,000,000	50,000,000	47,164,646	1,100,000,000	-	606,857,781	1,904,022,427



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW (UNAUDITED)
30 SEPTEMBER 2021

	2021 SR	2020 SR
OPERATING ACTIVITIES		
Net profit before zakat	774,745,598	675,544,202
Adjustments for:		
Depreciation, and amortization - property and equipment and intangibles	139,059,242	62,854,501
Depreciation - right of use assets	13,128,771	14,165,189
Impairment loss on accounts receivables and contract assets	61,502,786	58,736,693
Employee benefits indemnities	44,974,987	65,568,302
(Reversal) / provision of future estimated contract losses	(614,794)	155,071
Provision against advances to suppliers	7,270,629	273,560
Provision for slow moving and obsolete inventories	34,114,131	32,003,799
Finance costs	835,132	1,903,992
Finance income	(2,114,484)	(1,290,527)
	1,072,901,998	909,914,782
Changes in operating assets and liabilities:		
Accounts receivable	(149,405,301)	(856,687,462)
Prepayments and other assets	41,882,613	(12,514,877)
Contract assets	94,774,015	(514,741,634)
Inventories	40,607,350	(28,899,249)
Contract costs	(16,730,364)	2,746,450
Accounts payable and accruals	(374,791,096)	436,938,152
Deferred revenue	(1,830,857)	137,185,977
Contract liabilities	16,594,817	(120,654,790)
Cash flows generated from / (used in) operating activities	724,003,175	(46,712,651)
Zakat paid	(52,540,821)	-
End of service indemnities paid	(26,809,250)	(14,524,000)
Finance income received, net	1,987,402	1,290,527
Net cash flow generated from / (used in) operating activities	646,640,506	(59,946,124)
INVESTING ACTIVITIES		
Purchase of property, equipment and intangible assets	(114,931,973)	(311,940,057)
Net cash used in investing activities	(114,931,973)	(311,940,057)
FINANCING ACTIVITIES		
Purchase of treasury shares	(181,200,000)	-
Lease liabilities payments	(34,733,257)	(1,012,012)
Dividends paid	(400,000,000)	-
Net cash used in financing activities	(615,933,257)	(1,012,012)
Net decrease in cash and cash equivalents	(84,224,724)	(372,898,193)
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	909,248,920	41,382,765


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

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 JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2021

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 16).

The company is engaged in the extension and installation of computer networks and wiring, communications, road repair, maintenance and supplies, security devices installation and maintenance, senior management advisory, management of institutes and training centers.

The Company has the following branches in KSA:

Name of branch	Commercial Registration	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 September 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 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2021

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 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.

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 nine-months period ended 30 September 2021:

Property and equipment

The Group applied the following estimated useful life to Super Computers and depreciated accordingly:

Super Computer	7 years
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During the three-months period ended 30 September 2021, the Group has changed the depreciation method for Super Computers from "straight line" method to "sum of digit" method based on the performance and expected usage of the asset. This has resulted in an additional depreciation expense charge of SR 10.43 million for the three-months period ended 30 September 2021.

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.

2.2 Significant accounting policies (continued)

IFRS 16 Leases (continued)

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 building and land which is amortized 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 Leases, 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.

Zakat

During the period ended 30 September 2021, 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 the Zakat, Tax and Customer Authority "ZATCA". Previously, Zakat filing was made through the Parent Company and Zakat provision was determined based on the Company's share of the Parent Company's overall Zakat (note 8).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING 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 September		Nine-months period ended 30 September	
	2021 SR	2020 SR	2021 SR	2020 SR
Major product / Service line				
System Integration	613,162,868	626,512,125	1,798,514,057	1,790,271,519
Communication and Internet Services	463,006,290	381,240,900	1,306,392,506	994,955,286
Outsourcing Services	348,159,063	333,317,195	1,031,362,149	899,081,971
Cloud Services	237,517,752	207,539,375	707,442,541	499,703,697
Managed Services	146,294,358	116,561,527	411,272,758	305,028,842
Cyber Security	85,451,066	220,680,034	301,598,538	460,029,806
Digital Services	57,869,426	56,502,668	198,871,254	192,299,188
	1,951,460,823	1,942,353,824	5,755,453,803	5,141,370,309
Type of customers				
Sell through STC and sell to direct customers (STC is not the end customer)	1,396,897,939	1,347,097,092	3,998,904,313	3,273,900,715
Sell to STC (STC is the end customer)	554,562,884	595,256,732	1,756,549,490	1,867,469,594
	1,951,460,823	1,942,353,824	5,755,453,803	5,141,370,309
Timing of revenue recognition				
Goods or services transferred to customers:				
- over time	1,857,762,032	1,725,373,875	5,420,681,978	4,645,467,811
- at a point in time	93,698,791	216,979,949	334,771,825	495,902,498
	1,951,460,823	1,942,353,824	5,755,453,803	5,141,370,309

ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARY
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2021

5. CONTRACT ASSETS

	30 September 2021	31 December 2020
	SR	SR
Gross contract assets	1,413,457,537	1,510,518,671
Allowance for impairment	(3,670,086)	(5,957,205)
	1,409,787,451	1,504,561,466

The movement in the allowance for impairment related to contract assets for the nine-months period ended 30 September 2021 and year ended 31 December 2020 were as follows:

	30 September 2021	31 December 2020
	SR	SR
Opening balance	5,957,205	8,548,117
Reversal for the period (note 12)	(2,287,119)	(2,590,912)
Closing balance	3,670,086	5,957,205

6. 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 2020	76,573,162	842,539	77,415,701
Additions 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 nine-months period ended 30 September 2021	(13,014,653)	(114,118)	(13,128,771)
Balance as at 30 September 2021	58,803,940	-	58,803,940

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
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2021

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 September 2021	31 December 2020
	SR	SR
Less than one year	27,225,106	40,279,245
More than one year	38,136,472	51,187,531
Total undiscounted liabilities	65,361,578	91,466,776

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

	30 September 2021	31 December 2020
	SR	SR
Current portion (included as part of accounts payable and accruals)	27,052,862	40,104,398
Non-current portion	36,115,093	48,170,893
Total	63,167,955	88,275,291

8. ZAKAT

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 till the years of 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.

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 Company's Zakat provision for the three and nine-months period ended 30 September 2021 amounted to SR 20.25 million and SR 56.25 million, respectively (30 September 2020: SR 13.99 million and SR 47.31 million) 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 September 2021 is determined using the most recent actuarial valuation as 30 September 2021. Further, the Group has recorded a net actuarial (loss)/ gain of SR (424,296) and SR 79.58 million (30 September 2020: SR 1.1 million and SR 18.96 million) in the interim condensed consolidated statement of comprehensive income for the three and nine-months period ended 30 September, respectively.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)
30 SEPTEMBER 2021

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

	30 September 2021	30 September 2020
	SR	SR
Sales of goods and services to Parent Company and its subsidiaries (note 10.1)	4,497,068,996	3,948,052,027
Purchase of treasury shares from Parent Company	181,200,000	-
Purchases from Parent Company	298,831,581	186,677,069
Long term incentive expense charged by Parent Company	368,732	-

10.1 Sales of goods and services to Parent Company and its subsidiaries include an amount of SR 2,740,519,506 (30 September 2020: SR 2,080,582,433) for which Parent Company is not the end customer.

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

	30 September 2021	31 December 2020
	SR	SR
Accounts receivable: gross	1,719,455,248	2,146,107,981
Expected credit losses	(70,906,808)	(80,845,124)
Contract assets	1,018,715,881	949,422,179
Other assets: receivable from related parties	48,468,026	80,661,693
Deferred revenue	(1,541,934,286)	(1,606,137,371)
Amounts due to related party	(21,223,537)	(114,942,706)
Accrued connectivity charges	-	(239,657,376)
Contract liabilities	(336,316,145)	(260,457,485)
Accrued expenses	(156,843,219)	(108,058,882)

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

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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 September 2021 (30 September 2020: Nil), therefore reconciliation of segments revenue to total revenue is not relevant.

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

	Three-month period ended		Nine-months period ended	
	30 September		30 September	
	2021	2020	2021	2020
Core ICT Services	1,076,169,158	1,007,753,025	3,104,906,563	2,785,226,805
IT Managed and Operational Services	494,453,421	449,878,722	1,442,634,907	1,204,110,813
Digital Services	380,838,244	484,722,077	1,207,912,333	1,152,032,691
Total revenue	1,951,460,823	1,942,353,824	5,755,453,803	5,141,370,309
Total cost of revenue	(1,488,693,016)	(1,508,191,496)	(4,471,212,418)	(4,031,006,872)
Total operating expenses	(186,329,714)	(179,813,379)	(512,913,456)	(435,250,905)
Total non-operating income / (expenses)	986,008	(244,547)	3,417,669	431,670
Zakat	(20,252,608)	(13,996,038)	(56,252,702)	(47,306,491)
Net profit	257,171,493	240,108,364	718,492,896	628,237,711

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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 significant 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

The 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 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 September 2021	Profit rate %	Within one year SR	More than one year SR	Total SR
Accounts payable and accruals	Profit free	1,549,652,393	-	1,549,652,393
Lease liabilities relating to right of use assets	1.43 to 3.47%	27,225,106	38,136,472	65,361,578
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 1.86%	40,279,245	51,187,531	91,466,776

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Credit risk management

Credit risk related to customers which are 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 September 2021	30 September 2020
	SR	SR
Impairment charge on accounts receivable	63,789,905	60,990,055
Impairment reversal on contract assets (note 5)	(2,287,119)	(2,253,362)
Total	61,502,786	58,736,693

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 customers comprise 15% (31 December 2020: 13%) of the total trade receivables balance excluding related parties balance.

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 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.

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12. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

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 equity comprising mainly of share capital, other reserves, the statutory reserve, treasury shares and retained earnings.

13. CAPITAL COMMITMENTS

The Group has no capital commitments at the reporting date.

14. EVENTS AFTER THE REPORTING DATE

No events have arisen subsequent to 30 September 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 September 2021.

15. CONTINGENT LIABILITIES

	30 September 2021	31 December 2020
	SR	SR
Letters of guarantee	<u>242,270,367</u>	<u>205,670,965</u>

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

16. 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 Million.

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17. EARNINGS PER SHARE

	Three-month period ended		Nine-months period ended	
	30 September		30 September	
	2021	2020	2021	2020
Net profit for the period	257,171,493	240,108,364	718,492,896	628,237,711
Weighted average no of shares for basic earnings per share	119,991,209	120,000,000	119,991,209	120,000,000
Weighted average no of ordinary shares repurchased	8,791	-	8,791	-
Weighted average no of shares for diluted earnings per share	120,000,000	120,000,000	120,000,000	120,000,000
Basic earnings per share (restated)	2.14	2.00	5.99	5.24
Diluted earnings per share (restated)	2.14	2.00	5.99	5.24

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 SAR 181.2 million. These shares are held by the Company as treasury shares in order to support its future employees long term incentive plans.

18. IMPACT OF CORONAVIRUS

The Group's operations and financial results have not incurred significant impact from the virus 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 judgments and assumptions that contain sources of uncertainty, as it depends on several future factors and developments that cannot be reliably forecasted.

19. Capital Market Authority Approval

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 24,000,000 shares, representing 20% of the Company's shares. The Company started trading its shares on Tadawul on 30 September 2021.

20. APPROVAL OF FINANCIAL STATEMENTS

As its meeting held on 19 October 2021, the audit committee delegated by the Company's Board of Directors approved the interim condensed consolidated financial statements for the three and nine months period ended 30 September 2021.