

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2023

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

C.R. No. 1010383821  
Tel: +966 11 215 9898  
+966 11 273 4740  
Fax: +966 11 273 4730  
[ey.ksa@sa.ey.com](mailto:ey.ksa@sa.ey.com)  
[ey.com](http://ey.com)

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

**Introduction:**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabian Internet and Communication Services Company – a Saudi Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as “the Group”) as at 31 March 2023 and the related interim condensed consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the three-month 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” endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young  
Professional Services

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



Riyadh: 17 Shawwal 1444H  
(7 May 2023)

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

	Note	Three-months period ended 31 March 2023 SR	Three-months period ended 31 March 2022 SR
Revenue	4	2,676,271,630	2,242,903,477
Cost of revenue		(2,070,112,295)	(1,749,371,974)
<b>GROSS PROFIT</b>		<b>606,159,335</b>	<b>493,531,503</b>
General and administration expenses		(145,762,686)	(120,417,289)
Selling and distribution expenses		(103,428,451)	(60,169,360)
<b>TOTAL EXPENSES</b>		<b>(249,191,137)</b>	<b>(180,586,649)</b>
<b>OPERATING PROFIT</b>		<b>356,968,198</b>	<b>312,944,854</b>
Finance income		38,577,199	4,367,309
Finance cost		(15,550,020)	(210,074)
Share in result of an associate	7	307,165	-
Other expenses, net		(29,427,467)	(651,761)
<b>TOTAL OTHER (EXPENSES) / INCOME</b>		<b>(6,093,123)</b>	<b>3,505,474</b>
<b>PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>350,875,075</b>	<b>316,450,328</b>
Zakat and income tax charge	9	(47,978,554)	(33,539,756)
<b>NET PROFIT FOR THE PERIOD</b>		<b>302,896,521</b>	<b>282,910,572</b>
<b>NET PROFIT/ (LOSS) ATTRIBUTABLE TO</b>			
Equity holders of the Parent Company		303,809,659	282,910,572
Non-controlling interests		(913,138)	-
		<b>302,896,521</b>	<b>282,910,572</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY:</b>			
Basic	18	2.55	2.38
Diluted	18	2.53	2.36

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 22 form an integral part of these interim consolidated financial statements

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

	Note	Three-months period ended 31 March 2023 SR	Three-months period ended 31 March 2022 SR
<b>NET PROFIT FOR THE PERIOD</b>		<u>302,896,521</u>	<u>282,910,572</u>
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Item that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>			
Re-measurement of end of service indemnities	10	<u>(20,360,736)</u>	<u>(27,673,786)</u>
<i>Item that may be reclassified subsequently to the consolidated statement of profit or loss:</i>			
Foreign currency translation differences		<u>(68,178,491)</u>	-
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>		<u>(88,539,227)</u>	<u>(27,673,786)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>214,357,294</u>	<u>255,236,786</u>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company		<u>219,713,608</u>	255,236,786
Non-controlling interests		<u>(5,356,314)</u>	-
		<u>214,357,294</u>	<u>255,236,786</u>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 22 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 31 MARCH 2023**

	Notes	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,142,820,398	543,975,536
Short term murabaha	5	2,450,000,000	2,700,800,000
Accounts receivable		4,203,744,302	4,344,695,974
Prepayments and other assets		360,512,647	194,779,896
Contract assets	6	1,320,808,086	1,276,580,067
Inventories		260,124,207	322,436,948
<b>TOTAL CURRENT ASSETS</b>		<b>9,738,009,640</b>	<b>9,383,268,421</b>
<b>NON-CURRENT ASSETS</b>			
Other non-current assets	7	13,480,777	12,376,566
Intangible assets		310,249,360	372,667,927
Property and equipment		449,983,832	473,053,143
Right-of-use assets		36,512,958	40,970,157
<b>TOTAL NON-CURRENT ASSETS</b>		<b>810,226,927</b>	<b>899,067,793</b>
<b>TOTAL ASSETS</b>		<b>10,548,236,567</b>	<b>10,282,336,214</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable, accruals and other liabilities		2,720,336,256	2,572,574,644
Deferred revenue		3,040,724,019	3,265,700,868
Contract liabilities		504,567,478	487,784,622
Zakat and income tax payable	9	180,283,572	135,882,233
Bank overdraft and borrowing	11	242,729,768	194,387,595
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,688,641,093</b>	<b>6,656,329,962</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	8	11,701,122	15,845,573
End of service indemnities	10	290,793,677	260,822,151
Borrowings	11	502,027,593	502,014,450
Provision for tax		15,922,442	24,265,187
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>820,444,834</b>	<b>802,947,361</b>
<b>TOTAL LIABILITIES</b>		<b>7,509,085,927</b>	<b>7,459,277,323</b>
<b>EQUITY</b>			
Share capital	16	1,200,000,000	1,200,000,000
Statutory reserve		308,758,320	308,758,320
Other reserves		(73,393,425)	9,138,046
Treasury shares	17	(155,803,008)	(155,972,883)
Retained earnings		1,736,054,615	1,432,244,956
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>3,015,616,502</b>	<b>2,794,168,439</b>
Non-controlling interests		23,534,138	28,890,452
<b>TOTAL EQUITY</b>		<b>3,039,150,640</b>	<b>2,823,058,891</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,548,236,567</b>	<b>10,282,336,214</b>

  
Chief Financial Officer

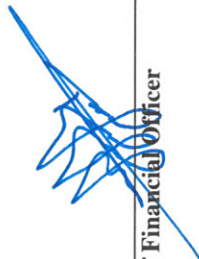
  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 22 form an integral part of these interim consolidated financial statements

**ARABIAN INTERNET AND COMMUNICATION SERVICES COMPANY AND ITS SUBSIDIARIES**  
(A SAUDI JOINT STOCK COMPANY)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**31 MARCH 2023**

	Total equity attributable to the equity holders of the Parent Company							
	Share capital SR	Statutory reserve SR	Other reserves SR	Retained earnings SR	Treasury Shares SR	Total SR	Non-controlling Interest SR	Total SR
Balance as at 1 January 2022	1,200,000,000	308,758,320	9,138,046	1,432,244,956	(155,972,883)	2,794,168,439	28,890,452	2,823,058,891
Net profit for the period	-	-	-	303,809,659	-	303,809,659	(913,138)	302,896,521
Other comprehensive loss for the period	-	-	(84,096,051)	-	-	(84,096,051)	(4,443,176)	(88,539,227)
Total comprehensive income	-	-	(84,096,051)	303,809,659	-	219,713,608	(5,356,314)	214,357,294
Share based payments	-	-	1,564,580	-	169,875	1,734,455	-	1,734,455
Balance as at 31 March 2022	1,200,000,000	308,758,320	(73,393,425)	1,736,054,615	(155,803,008)	3,015,616,502	23,534,138	3,039,150,640
Balance as at 1 January 2023	1,200,000,000	203,471,411	88,434,032	959,862,772	(181,200,000)	2,270,568,215	-	2,270,568,215
Net profit for the period	-	-	-	282,910,572	-	282,910,572	-	282,910,572
Other comprehensive loss for the period	-	-	(27,673,786)	-	-	(27,673,786)	-	(27,673,786)
Total comprehensive income	-	-	(27,673,786)	282,910,572	-	255,236,786	-	255,236,786
Share based payments	-	-	8,706,572	-	-	8,706,572	-	8,706,572
Balance as at 31 March 2023	1,200,000,000	203,471,411	69,466,818	1,242,773,344	(181,200,000)	2,534,511,573	-	2,534,511,573

  
**Chief Financial Officer**

  
**Chief Executive Officer**

  
**Authorized Board Member**

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**31 MARCH 2023**

	2023 SR	2022 SR
<b>OPERATING ACTIVITIES</b>		
Net profit before zakat and income tax	350,875,075	316,450,328
<b>Adjustments for:</b>		
Depreciation, and amortization - property and equipment and intangibles	56,718,654	50,992,817
Depreciation - right of use assets	5,072,277	4,226,181
Allowances of bad debts of accounts receivables and contract assets	35,035,575	2,323,464
End of service indemnities expense	15,415,949	14,411,519
Share- based payment expense	1,734,455	8,706,572
(Reversal)/ provision of future contract losses	(679,560)	19,233,554
Reversal against advances to suppliers provision	(306,619)	(140,363)
(Reversal)/ provision for slow moving and obsolete inventories	(4,131,497)	6,675,596
Finance charges	15,550,020	210,074
Finance income	(38,577,199)	(4,367,309)
	<u>436,707,130</u>	<u>418,722,433</u>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	105,916,097	(221,762,197)
Prepayments and other assets	(160,012,284)	137,256,076
Contract assets	(44,228,019)	(327,842,348)
Inventories	66,444,238	212,951,129
Other non-current assets	243,675	405,677
Accounts payable, accruals and other liabilities	128,235,637	(16,454,317)
Deferred revenue	(224,976,849)	9,817,874
Contract liabilities	16,782,856	10,364,774
<b>Cash flows generated from operating activities</b>	<u>325,112,481</u>	<u>223,459,101</u>
Zakat and income taxes paid	(1,061,156)	-
End of service indemnities paid	(5,805,159)	(12,367,143)
Finance income received, net	33,163,351	3,845,308
<b>Net cash flow generated from operating activities</b>	<u>351,409,517</u>	<u>214,937,266</u>
<b>INVESTING ACTIVITY</b>		
Purchase of property, equipment and intangible assets	(26,492,813)	(18,590,907)
Short term murabaha, net	250,800,000	-
<b>Net cash generated from / (used in) investing activities</b>	<u>224,307,187</u>	<u>(18,590,907)</u>
<b>FINANCING ACTIVITIES</b>		
Lease liabilities payments	(6,141,372)	(634,066)
Bank overdraft and borrowings	48,342,173	-
<b>Net cash generated from / (used in) financing activities</b>	<u>42,200,801</u>	<u>(634,066)</u>
<b>Net increase in cash and cash equivalents</b>	<u>617,917,505</u>	<u>195,712,293</u>
Cash and cash equivalents at the beginning of the period	<u>543,975,536</u>	<u>1,607,556,524</u>
Net foreign exchange difference	(19,072,643)	-
Cash and cash equivalents at the end of the period	<u>1,142,820,398</u>	<u>1,803,268,817</u>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 22 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)**  
**31 MARCH 2023**

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**1. ACTIVITIES**

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

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

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)**  
**31 MARCH 2023**

**1. ACTIVITIES (continued)**

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

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

**(\*) Acquisition of subsidiary - Giza system company (S.A.E) (“Giza Systems”)**

On 7 Rabi Al Awwal 1444 H, (Corresponding to 3 October 2022) the Company acquired 88.19% and 34% of the equity interest in Giza Systems and Giza Arabia Systems Company LLC respectively (together referred as “Giza Group”) for SAR 466 million. Details of this acquisition were disclosed in Note 1 of the Group’s annual consolidated financial statements for the year ended December 31, 2022. There were no changes during the current quarter to the preliminary fair values of the assets and liabilities acquired on acquisition of Giza Systems.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

**Statement of compliance**

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

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

**Basis of measurement and functional currency**

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

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

**2.2 Significant accounting policies**

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

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)**  
**31 MARCH 2023**

**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.

**4. REVENUE**

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

	<b>31 March 2023</b>	31 March 2022
	<b>SR</b>	SR
Core ICT Services	<b>1,558,931,147</b>	1,324,082,046
IT Managed and Operational Services	<b>674,420,076</b>	529,196,097
Digital Services	<b>442,920,407</b>	389,625,334
	<b><u>2,676,271,630</u></b>	<u>2,242,903,477</u>
<b>Type of customers</b>		
Sell through STC and sell to direct customers (STC is not the end customer)	<b>1,828,453,787</b>	1,349,969,168
Sell to STC (STC is the end customer)	<b>847,817,843</b>	892,934,309
	<b><u>2,676,271,630</u></b>	<u>2,242,903,477</u>
<b>Timing of revenue recognition</b>		
Goods or services transferred to customers:		
- over time	<b>2,396,221,919</b>	2,105,965,389
- at a point in time	<b>280,049,711</b>	136,938,088
	<b><u>2,676,271,630</u></b>	<u>2,242,903,477</u>
<b>Principal vs Agent</b>		
Revenue as principal	<b>2,406,811,803</b>	2,067,675,039
Revenue as agent	<b>269,459,827</b>	175,228,438
	<b><u>2,676,271,630</u></b>	<u>2,242,903,477</u>

**5. SHORT TERM MURABAHA**

These represent the murabaha deposits placed with various local banks carry a profit rate of 5.3% to 5.8% (31 December 2022: 3.1% to 5.4%) per annum. The maturity date for all these deposits are more than three months and less than one year.

**6. CONTRACT ASSETS**

	<b>31 March 2023</b>	31 December 2022
	<b>SR</b>	SR
Gross contract assets	<b>1,346,564,146</b>	1,308,384,210
Allowance for impairment	<b>(25,756,060)</b>	(31,804,143)
	<b><u>1,320,808,086</u></b>	<u>1,276,580,067</u>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT (UNAUDITED)**  
**31 MARCH 2023**

**6. CONTRACT ASSETS (continued)**

The movements in the allowance for impairment related to contract assets for the three-months period ended 31 March were as follows:

	<b>2023</b>	2022
	<b>SR</b>	SR
Balance as at 1 January	<b>31,804,143</b>	7,850,611
(Reversal)/charge for the period	<b>(6,048,083)</b>	21,709,079
Balance as at 31 March	<b>25,756,060</b>	29,559,690

**7. OTHER NON-CURRENT ASSETS**

	<i>Note</i>	<b>31 March 2023</b>	31 December 2022
		<b>SR</b>	SR
Contract costs	7.1	<b>7,635,124</b>	7,878,799
Investments in associate	7.2	<b>3,557,606</b>	4,077,806
Deferred tax assets, net	7.3	<b>2,288,047</b>	419,961
		<b>13,480,777</b>	12,376,566

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

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

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

	<b>31 March 2023</b>
	<b>SR</b>
Balance as at 1 January	4,077,806
Share of result during the period	307,165
Currency translation	(827,365)
Balance as at 31 March	3,557,606

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

**8. LEASE LIABILITIES**

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

<b>Maturity analysis of undiscounted cash flows</b>	<b>31 March 2023</b>	31 December 2022
	<b>SR</b>	SR
Less than one year	<b>30,914,410</b>	31,858,344
More than one year	<b>12,603,778</b>	16,907,607
<b>Total undiscounted liabilities</b>	<b>43,518,188</b>	48,765,951

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**8. LEASE LIABILITIES (continued)**

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

	<b>31 March 2023</b>	31 December 2022
	<b>SR</b>	SR
Current portion (included as part of accounts payable, accruals and other liabilities)	<b>26,388,658</b>	27,759,463
Non-current portion	<b>11,701,122</b>	15,845,573
	<b>38,089,780</b>	43,605,036

**9. ZAKAT AND INCOME TAX**

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

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

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

The Company's Zakat provision for the three months period ended 31 March 2023 amounted to SR 39.6 million (31 March 2022: SR 33.5 million) and is charged to the interim condensed consolidated statement of profit or loss.

The Company's Income tax provision for the three months period ended 31 March 2023 amounted to SR 8.3 million (31 March 2022: SR Nil) and is charged to the interim condensed consolidated statement of profit or loss.

**10. END OF SERVICE INDEMNITIES**

Calculation of end of service benefits provision as at 31 March 2023 is determined using the most recent actuarial valuation. Further, the Group has recorded a net actuarial loss of SR 20.4 million (31 March 2022: SR 27.7 million) in the interim condensed consolidated statement of comprehensive income for the three months period ended 31 March 2023.

**11. BORROWINGS**

	<b>31 March 2023</b>	31 December 2022
	<b>SR</b>	SR
<b>Short term loans</b>		
Bank overdrafts (note 11.1)	<b>206,464,813</b>	178,967,393
Others (note 11.2)	<b>36,264,955</b>	15,420,202
Total	<b>242,729,768</b>	194,387,595
<b>Long term loans</b>		
Long term loan (note 11.3)	<b>498,939,677</b>	498,878,270
Long term loan (note 11.4)	<b>3,087,916</b>	3,136,180
Total	<b>502,027,593</b>	502,014,450

**11.1** This represents the unsecured overdraft obtained by Giza Group in USD and EGP currencies. The interest rate on USD currency is from 7% to 9% annually, interest rate on SAR is 9%, while the interest rate on EGP currency is from 18% to 19% annually. These overdrafts have multiple date of borrowings and multiple date of settlement. These overdraft balances cannot be legally offset with the cash and cash equivalents.

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**11. BORROWINGS (continued)**

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

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

**11.4** This represents a secured loan in USD. The interest rate on this loan is 10% annually. The final settlement of this loan is on 25 June 2024.

**12. RELATED PARTY INFORMATION**

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

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

During the three months periods 31 March, the Group entered into the following significant transactions with STC and its subsidiaries:

	<b>31 March 2023</b>	31 March 2022
	<b>SR</b>	SR
Sales of goods and services (STC) (a)	<b>1,748,782,187</b>	1,831,593,591
Sales of goods and services (STC subsidiaries)	<b>69,434,487</b>	43,971,148
Purchases (STC)	<b>93,185,516</b>	74,613,158
Purchase (STC subsidiaries)	<b>14,505,173</b>	8,911,317
Long term incentive expense charged by STC	<b>198,503</b>	240,500

(a) Sales of goods and services to STC include an amount of SR 970 million (31 March 2022: SR 983 million) for which Parent Company is not the end customer.

(b) Revenue related to direct transactions with government and government related entities for the three-months ended 31 March 2023 is SR 414 million (31 March 2022: SR 265 million).

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

	<b>31 March 2023</b>	31 December 2022
	<b>SR</b>	SR
<b>STC:</b>		
Accounts receivable: gross	<b>2,366,785,853</b>	2,441,802,766
Contract assets	<b>623,743,614</b>	627,911,603
Other assets: receivables	<b>78,560,427</b>	8,047,038
Deferred revenue	<b>(2,597,678,903)</b>	(2,648,834,208)
Contract liabilities	<b>(267,298,617)</b>	(333,027,385)
Accrued expenses	<b>(204,185,665)</b>	(175,667,329)
Amounts due to	<b>(120,304,896)</b>	(223,566,139)

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**12. RELATED PARTY INFORMATION (continued)**

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

**STC subsidiaries:**

Accounts receivable: gross	<b>160,587,852</b>	142,698,500
Contract assets	<b>71,432,069</b>	64,170,153
Deferred revenue	<b>(32,769,729)</b>	(40,259,968)
Contract liabilities	<b>(994,048)</b>	(889,560)
Amounts due to	<b>(38,539,549)</b>	(58,326,247)

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 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 31 March 2023 (31 March 2022: Nil), therefore reconciliation of segments revenue to total revenue is not relevant.

	<b>Three-months period ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
Core ICT Services	<b>1,558,931,147</b>	1,324,082,046
IT Managed and Operational Services	<b>674,420,076</b>	529,196,097
Digital Services	<b>442,920,407</b>	389,625,334
<b>Total revenue</b>	<b>2,676,271,630</b>	2,242,903,477
Total cost of revenue	<b>(2,070,112,295)</b>	(1,749,371,974)
Total operating expenses	<b>(249,191,137)</b>	(180,586,649)
Total non-operating (expenses) / income	<b>(6,093,123)</b>	3,505,474
Zakat and tax charge	<b>(47,978,554)</b>	(33,539,756)
<b>Net profit for the period</b>	<b>302,896,521</b>	282,910,572
<b>Net profit for Equity holders of the Parent Company</b>	<b>303,809,659</b>	282,910,572
<b>Net profit for non-controlling interests</b>	<b>(913,138)</b>	-
<b>Total net profit</b>	<b>302,896,521</b>	282,910,572

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**14. CAPITAL COMMITMENTS**

The Group had no capital commitments at the reporting date.

**15. CONTINGENT LIABILITIES**

	<b>31 March 2023</b>	31 December 2022
	<b>SR</b>	SR
Letters of guarantee and credit	<b>394,496,446</b>	394,673,180

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

**16. SHARE CAPITAL AND DIVIDENDS**

	<b>31 March 2023</b>	31 December 2022
	<b>SR</b>	SR
<b>Authorized, issued and fully paid capital comprises:</b>		
120 million fully paid ordinary shares at SR 10 each	<b>1,200,000,000</b>	1,200,000,000

The Board of Directors recommended in its meeting held on 24 Rajab 1444H (corresponding to 15 February 2023) to distribute dividends of SR 5 per share, totaling to SR 594.9 million that is subject to EGM approval in their next meeting.

**17. TREASURY SHARES AND LONG-TERM INCENTIVES PLAN**

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

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

	<b>31 March 2023</b>	31 December 2022
	<b>SR</b>	SR
Outstanding shares as at 1 January	<b>1,032,933</b>	1,200,000
Treasury shares re-issued	<b>(1,125)</b>	(167,067)
<b>Treasury shares as at reporting date</b>	<b>1,031,808</b>	1,032,933

**18. EARNINGS PER SHARE**

	<b>Three-months period ended 31 March</b>	
	<b>2023</b>	2022
Net profit for the period 'SR'	<b>303,809,659</b>	282,910,572
Weighted average number of shares for the purpose of basic earnings	<b>118,967,882</b>	118,800,000
Weighted average number of shares for the purpose of diluted earnings	<b>120,000,000</b>	120,000,000
<b>Basic Earnings per share</b>	<b>2.55</b>	2.38
<b>Diluted Earnings per share</b>	<b>2.53</b>	2.36



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**19. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

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

<b>31 March 2023</b>		<b>Carrying amount</b>	<b>Fair value level</b>
<i>Financial assets</i>			
Cash and cash equivalents and short term murabaha	Amortized Cost	<b>3,592,820,398</b>	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	<b>5,756,991,236</b>	N/A
<i>Financial liabilities</i>			
Accounts payable, accruals and other liabilities	Amortized Cost	<b>2,720,336,257</b>	N/A
Borrowings	Amortized Cost	<b>744,757,361</b>	N/A
<b>31 December 2022</b>		<b>Carrying amount</b>	<b>Fair value level</b>
<i>Financial assets</i>			
Cash and cash equivalents and short term murabaha	Amortized Cost	3,244,775,536	N/A
Accounts receivable, contract assets and other receivables	Amortized Cost	5,739,872,487	N/A
<i>Financial liabilities</i>			
Accounts payable, accruals and other liabilities	Amortized Cost	2,572,574,644	N/A
Borrowings	Amortized Cost	696,402,045	N/A

**20. COMPARATIVES**

Certain comparative figures have been reclassified to conform with the classification used for the three-months period ended 31 March 2023. At year end 2022, the Group has updated the accounting treatment related to some software reselling agreements, which resulted in considering these contracts as an agent and showing them in net. The reclassification has no impact on previously disclosed net income, financial position or cash flow:

	<b>31 March 2022 as previously reported</b>	<b>Reclassification</b>	<b>31 March 2022 as reclassified</b>
Revenue	2,418,476,914	(175,573,437)	<b>2,242,903,477</b>
Cost of revenue	(1,924,945,411)	175,573,437	<b>(1,749,371,974)</b>
Gross profit	<u>493,531,503</u>	<u>-</u>	<u><b>493,531,503</b></u>

**21. EVENTS AFTER THE REPORTING DATE**

The Group has signed a sale and purchase agreement (SPA) on 18 Jumada al-Alkhirah 1444 (corresponding to 11 January 2023) to acquire 100% of Contact Center Company (CCC), for a full cash consideration subsequent to the period end, the Group has completed all procedures required to conclude the transaction on 3<sup>rd</sup> April 2023.

No other events have arisen subsequent to 31 March 2023 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 31 March 2023.

**22. APPROVAL OF FINANCIAL STATEMENTS**

These interim consolidated financial statements for the three-months period ended 31 March 2023 were approved by the audit committee (delegated by the Company's Board of Directors) at its meeting held on 17 Shawwal 1444H (corresponding to 7 May 2023).